

# Corporate Governance

The Daiichi Sankyo Group places importance on building a corporate governance system that can respond to stakeholders' trust, including shareholders, by constructing a management structure that can respond more quickly and flexibly to changes in the management environment, ensuring legal compliance and management transparency, and strengthening supervisory functions over management and execution.

## Corporate Governance System and Its Changes

Our company establishes a one-year term for Directors to clarify management responsibility and strengthen supervisory functions over management and execution, with a structure where 5 out of 10 Directors are Outside Directors. Since 2020, to promote the separation of execution and supervision and improve the transparency and supervisory function of the Board of Directors, an Outside Director has assumed the position of Board Chairperson. In 2024, we increased the number of Outside Directors by one, resulting in a 50:50 ratio between Inside and Outside Directors. From a Board diversity perspective, one female Outside Director was appointed in 2019, and in FY2025, our company's first female and foreign national Inside Directors were appointed. Regarding committees, voluntary Nomination Committee as well as a Compensation Committee have been established since the management integration of Sankyo Co., Ltd. and Daiichi Pharmaceutical Co., Ltd. in 2007. In 2020, to further ensure management transparency, both committees were changed from CEO advisory bodies to Board of Directors advisory bodies. Both committees are composed of 5 Outside Directors each, with 1 Outside Audit & Supervisory Board Member participating as an observer, and deliberate on appointments or dismissals of CEO and COO, the succession plan of CEO, appointments of Director and Audit & Supervisory Board Member candidates, the compensation policy for Directors, the individual amounts of compensation of Directors, and other matters.

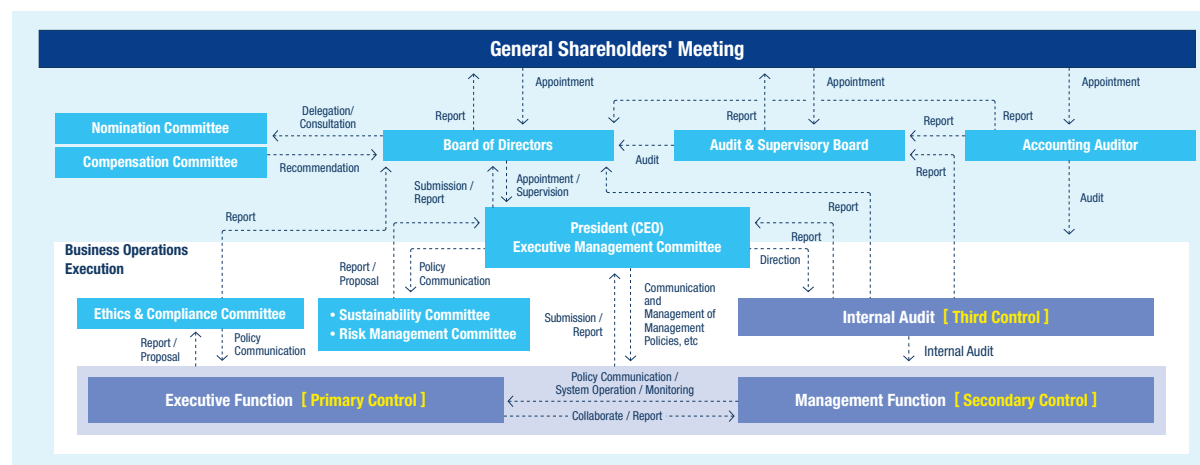
Additionally, for audits of legal compliance and soundness of management, the Company has adopted an Audit & Supervisory Board system and established the Audit & Supervisory Board comprising five Audit & Supervisory Board Members, including three Outside Audit & Supervisory Board Members. Furthermore, the Company prescribes specific criteria on the judgment of independence of Outside Directors and Outside Audit & Supervisory Board Members and basic matters regarding execution of duties by Directors and Audit & Supervisory Board Members.

Through these efforts, we are committed to establishing the

governance system for the Board of Directors to make important business decisions and oversee its management appropriately, establishing an internal control system that ensures proper delegation of power from the Board of Directors, and making sure the Board of Directors will improve its function and effectiveness. Regarding the executive structure, under the global management structure, the Management Executive Meeting with CxOs, Unit Heads, and Heads of Global Corporate Functions as members is held as appropriate to deliberate on important matters related to the strategy, policy, and execution of group management, and to contribute to management decision-making. Additionally, the Company employs a Corporate Officer System which contributes to appropriate and swift management decision-making and the conduct of operations. Regarding internal control, 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 Corporate Internal Audit Department (tertiary controls). We have adopted this corporate governance structure to be optimal for establishing a management structure that can respond swiftly and flexibly to changes in the business environment, for ensuring legal compliance and management transparency, and for strengthening the oversight functions over the management and the execution of business. Going forward, we will continue to work on further optimizing the Board of Directors composition, strengthening our corporate governance systems, as well as securing and improving the functions and effectiveness of the Board of Directors.

Overview of the Corporate Governance Structure



For information about the Sustainability Committee and the Ethics & Compliance Committee, please see [P22](#)

For information about the Risk Management Committee, please see [P47](#)

## Changes in the Corporate Governance Structure

		2007	2014	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	
Chairperson of the Board		Chairman	CEO					Chairman	Outside Directors					
Directors	Outside	4 persons					4 persons, including 1 female member					5 persons, including 1 female member		
	Inside	6 persons				5 persons					5 persons, including 1 female member & 1 foreign member			
Audit & Supervisory Board Members	Outside	2 persons	2 persons, including 1 female member		3 persons, including 2 female members									
	Inside	2 persons									2 persons, including 1 female member			
Nomination Committee		2 Outside persons and 1 Inside person	4 Outside persons	4 Outside persons, 1 Outside Audit & Supervisory Board Member (Observer)								5 Outside persons, 1 Outside Audit & Supervisory Board Member (Observer)		
Compensation Committee		2 Outside persons and 1 Inside person	4 Outside persons	4 Outside persons, 1 Outside Audit & Supervisory Board Member (Observer)								5 Outside persons, 1 Outside Audit & Supervisory Board Member (Observer)		
Compensation System (Incentives)		Short term: Annual performance-based bonus							Clawback provision, malus provision					
		Long term: Share remuneration-type stock option			Long term: Restricted share-based compensation				Long term: Medium-term performance-based share compensation					
Corporate Governance Code			Explained about 3 items immediately after applying the Code	Complied with all the items		Explained about 1 item after revision	Complied with all the items							

## Audit &amp; Supervisory Board, Nomination Committee, and Compensation Committee

	Audit & Supervisory Board	Nomination Committee	Compensation Committee
Chairperson	Full-time Audit & Supervisory Board Member	Outside Director	Outside Director
Composition	2 Full-time Audit & Supervisory Board Members 3 Outside Audit & Supervisory Board Members	5 Outside Directors Observer: 1 Outside Audit & Supervisory Board Member	5 Outside Directors Observer: 1 Outside Audit & Supervisory Board Member
Purpose	To receive reports on important matters related to auditing, and then discuss said matters or make resolutions on them. (However, the Audit & Supervisory Board cannot prohibit an Audit & Supervisory Board Member from exercising their rights)	To deliberate matters required for appointment and dismissal of the CEO/COO, successor plan of the CEO, and appointment of candidates for Directors, at the request of the Board of Directors, and contribute to the enhancement of management transparency and oversight functions.	To deliberate matters required for a policy on compensation of Directors as well as the individual amounts of compensation at the request of the Board of Directors and contribute to the enhancement of management transparency and oversight functions
Number of meetings held in FY2024	14	12	11

## Activities of the Board of Directors

- As a general rule, the Board of Directors meeting is held once a month.
- A total of 14 meetings were held in FY2024, and all Directors and Audit & Supervisory Board Members attended all of the meetings.

\* Takashi Matsumoto and Yo Honma attended only those meetings held following their appointment on June 17, 2024.

Items Discussed by the Board of Directors: Long-term strategies and business strategies / Annual business plan and budget / Financial results and forecast / Execution status of business investments / Sustainability and ESG management / Materiality KPI / Risk management / Internal audit plans and results / Appointments of Representative Directors and Executive Directors / Appointments of candidates for Directors and Audit & Supervisory Board Members / Appointments of CxOs, Unit Heads and Heads of Global Corporate Function in Global Management structure / Appointments of Corporate Officers / Board evaluation / Compensation amounts for individual Directors and Corporate Officers / Payment of annual performance-based bonuses to Directors and Corporate Officers / Evaluation coefficients for Medium-term performance-based share compensation / Payment of monetary compensation receivables for restricted shares and disposal of own shares / Daiichi Sankyo Group Monthly Business Report

## Message from the Chairperson of the Board

2025 marks the year when our company takes an important step toward sustainable growth and corporate value enhancement under the new leadership of CEO Okuzawa. Additionally, the Board of Directors composition has welcomed four newly appointed directors. We are confident that this restructuring of the Board of Directors will contribute to strengthening financial strategy, improving capital efficiency, and advancing risk management systems from an independent standpoint, bringing diversity and expertise to meet the expectations of our shareholders and investors. Given the uncertainty in the management environment originating from the United States, we believe this governance structure holds extremely important significance from the perspectives of strategic decision-making, risk management, and maximization of shareholder value. As the Chairperson of the Board, I am committed to doing my utmost to enable directors with diverse backgrounds to leverage their respective expertise and experience, allowing for multifaceted discussions and swift, appropriate decision-making. Additionally, I value dialogue with shareholders and investors, and aim to earn your trust through highly transparent information disclosure. I respectfully ask for your continued understanding and support going forward.

Outside Director (Independent Director)

**Takaaki Nishii**



## Requirements for Director Candidates

Directors shall meet the requirement of being personnel of excellent character and insight who contribute to maximizing the corporate value of the Group. Directors shall meet the requirements of being appropriate persons with respect to term of office etc. 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. Directors shall meet the requirements that they are individuals with expertise, experience, and insight in one or more of the following fields: corporate management and management strategy, finance and accounting, science and technology, business strategy and marketing, global business, human resources and HR development, legal and risk management, sustainability and ESG, and/or DX and IT. Directors shall meet the requirements that there shall

always be Outside Directors included to strengthen the decision-making functions, based on various perspectives and to strengthen the oversight function over the conduct of operations. In principle, it is a requirement that Outside Directors have no more than three concurrent positions as officers of other listed companies. Outside Directors and Outside Audit & Supervisory Board Members shall be confirmed to have no problems according to specific criteria on the judgment of independence. Our company recognizes that ensuring the diversity of Directors particularly in terms of gender, nationality, race, etc. as well as incorporating diverse opinions into management are important for strengthening the decision-making functions and the oversight function of the Board of Directors. The Company will continue to discuss the appointment of candidates for Directors with such aspects in mind.

## Skill Matrix of the Board of Directors

The Company has identified the skills (knowledge, experience, and abilities) that the Board of Directors should possess to properly fulfill its decision-making and management oversight functions, and has set up a Skill Matrix to track the skillsets held by Directors and Audit & Supervisory Board Members. In light of our Purpose, Mission, and mid-to-long-term management direction and business strategy, the Company has identified nine (9) skills given the functions Board of Directors should have to fulfill, aiming to realize the 2030 Vision

“Innovative Global Healthcare Company Contributing to the Sustainable Development of Society” as shown in the current 5-year Business Plan. When appointing Directors, we consider the diversity and balance of these skills. Audit & Supervisory Board Members are appointed based on the requirements for candidates separately set by the Audit & Supervisory Board.

Skill Matrix

	Name	Outside Independent	Term of office	Board of Directors	Nomination Committee	Compensation Committee	Corporate Management/ Management Strategy	Finance/ Accounting	Science & Technology	Business Strategy/ Marketing	Global Business	Human Resources/ Human Resource Development	Legal/Risk Management	Sustainability/ ESG	DX/IT	Qualification
Director	Sunao Manabe		11 years	○			●		●	●	●	●		●		Veterinarian
	Hiroyuki Okuzawa		4 years	○			●	●		●	●	●	●		●	
	Takashi Matsumoto		1 years	○			●				●	●		●		
	Joseph Kenneth Keller		–	○			●			●	●					
	Shizuko Ueno		–	○					●	●	●					Pharmacist
	Yasuhiro Komatsu	○	3 years	○	○	○			●			●	●			Doctor
	Takaaki Nishii	○	2 years	◎ Chairperson	○	○	●			●	●	●		●		
	Yo Honma	○	1 years	○	○	◎ Chairperson	●			●	●	●		●	●	
	Akihiro Watanabe	○	–	○	◎ Chairperson	○	●	●		●	●	●				Certified public accountant
	Reiko Kinoshita	○	–	○	○	○	●	●		●		●				
Audit & Supervisory Board Member	Miyuki Arai		2 years	○					●				●			Pharmacist
	Terumichi Yokoyama		–	○			●				●	●	●			
	Yukiko Imazu	○	7 years	○		□ (Observer)						●	●			Lawyer
	Masako Watanabe	○	4 years	○				●					●			Certified public accountant
	Mitsuhiro Matsumoto	○	3 years	○	□ (Observer)							●	●			

## Message from New Inside Director

I aspire to collaborate with my colleagues on the Board of Directors to achieve our vision of becoming a top 10 global oncology company and build the next pillars of sustainable growth. Through the discovery, development and delivery of innovative standards of care, changing medicines we seek to improve the lives of patients across the globe. This is a valuable endeavor for all of society which I am passionate about. I intend to bring unique contributions to the board by leveraging my four decades of experience in the bio-pharmaceutical industry, especially my leadership roles in launching multiple blockbuster medicines across several therapeutic areas. I have had a primary focus working in the oncology therapeutic area which is tremendously personally rewarding. Seeing the impact that medicines like Enhertu® have on patients, their families and attending physicians firsthand is a rare privilege. My learnings from leading teams in sales, marketing, medical affairs, pricing access and reimbursement across geographies will be shared and leveraged to help build a highly successful future for our organization. I am committed to help shape and lead Daiichi Sankyo to exceed our goals by always conducting ourselves in ways that all our stakeholders — including patients, healthcare professionals, our employees, shareholders, and investors take great pride in being involved in and being part of. Leaving society in a better place because of us and growing shareholder value.

Director  
Head of Oncology Business Unit

**Joseph Kenneth Keller**



I have built my career in the development division for many years, working in clinical development with the desire to provide patients with new treatment options. At Daiichi Sankyo, I was responsible for the infectious diseases and vaccines area, and as my final project in the development division, I worked on the development of “Daichirona® Intramuscular Injection,” Japan's first domestically produced mRNA vaccine for COVID-19 in the context of an infectious disease pandemic that was unlike any other. I transferred to Medical Affairs in Japan Business Unit in 2022, and have been serving as Head of Japan Business Unit since this April. Additionally, I have also been serving in the role of Special Assignment on Patient Centricity since April last year.

Our Group places “compassion for patients and passion for innovation” at the core of its corporate activities, promoting Patient Centricity initiatives across the whole value chain. Patient Centricity is a vital value for our Group, and the special assignment role is responsible for strengthening this globally and cross-functionally.

Daiichi Sankyo has continued to ask “what can we do for patients” and has created innovative new drugs. Moving forward, we want to continue putting patients at the center and promote corporate activities toward a sustainable society.

Director  
Executive Officer, Head of Japan Business Unit and  
Head of Medical Affairs Division, Japan Business Unit

**Shizuko Ueno**

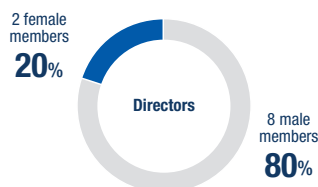


## Composition of the Board of Directors and the Audit & Supervisory Board

### Percentage of Outside Directors



### Percentage of Female Board Members



## Policies and Procedures for Appointment/Dismissal

The Company has defined policies and procedures for the appointment and dismissal of Directors, the CEO, and the COO, as well as for the appointment of Audit & Supervisory Board Members. When appointing the candidates for Directors, the Board of Directors shall appoint the candidates after they have been sufficiently deliberated by the Nomination Committee, of which Outside Directors form a majority. When selecting the candidates for Directors and Audit & Supervisory Board Members, the General Shareholders Meeting shall select them after the relevant proposal. CEO candidates are appointed in accordance with the succession plan, qualification requirement definitions, etc. that have been discussed by the Nomination Committee, and the appointment (including reappointment) of the CEO and the COO is determined by resolution of the Board of Directors following sufficient deliberation and subsequent recommendation

by the Nomination Committee. If any Director is found not meeting eligibility requirements or requirements for execution of the duties defined in the Companies Act or the Regulations of Board of Directors, following deliberation at the Nomination Committee and the Board of Directors, the General Shareholders Meeting shall deem that it meets criteria for dismissal of Directors, and resolve dismissal of such Director after the relevant proposal. Dismissal of CEO and COO shall be called into account in light of the Companies Act, defined CEO eligibility requirements or requirements for the 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. Each fiscal year, the Nomination Committee deliberates on the appointment, dismissal, and reappointment of the CEO.

# Approach to Director's Compensation

Compensation policy
<p>Compensations to Directors are designed based on the following ideas.</p> <ul style="list-style-type: none"> <li>• Compensation system with a compensation level that can secure and maintain excellent human resources</li> <li>• Compensation system that motivates sustainable growth over the medium-to-long-term and contributes to the increase of the value of the Company and shareholder value</li> <li>• A transparent, fair, and rational compensation system accountable to Stakeholders</li> </ul>

Compensation level
<p>The level of compensations to Directors is set aiming to provide the high-level compensations in the industrial circle, referring to the levels of other companies learned from the surveys of external specialist institutions. Specifically, the Company mainly compares companies within the top 100 companies by market capitalization among the companies listed on the Tokyo Stock Exchange, and also refer to the levels of major domestic pharmaceutical companies.</p>

Composition of compensation for Directors (excluding Outside Directors)
<p>The compensation structure consists of four components: basic, fixed compensation, annual performance-based bonuses, which is a variable compensation serving as short-term incentive, restricted share-based compensation and medium-term performance-based share compensation serving as long-term incentive. Retirement benefit system is not adopted.</p>

Composition of compensation for Outside Directors
<p>Compensation to Outside Directors who are in charge of management oversight and are not in the position to take charge of business execution is only basic, fixed compensation. Incentive bonuses and retirement benefit system are not adopted.</p>

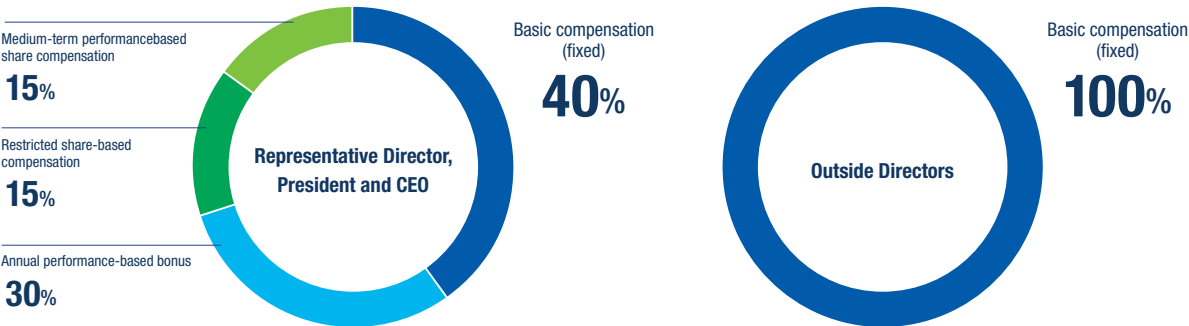
Ratio of the composition of compensations
<p>The composition ratio of the compensation to Representative Director, President and CEO is designed as shown in Figure 1. The ratio of the composition of compensations of other Directors (excluding Outside Directors) will be determined in consideration of the responsibilities and the level of compensation according to the ratio of composition of compensation of Representative Director, President and CEO.</p>

Basic compensation
<p>Basic compensation to Directors shall be paid on one regular day of each month during their tenure, and the amount of individual compensation is determined according to the compensations policy and the level of compensations.</p>

Annual performance-based bonuses (short-term incentive)
<p>The amount of annual performance-based bonuses, which form short-term incentive remuneration, will be decided according to the degree of achievement of the earnings forecasts announced at the beginning of the fiscal year about revenue, core operating profit ratio*, and profit attributable to owners of the Company, and the evaluation of goals and tasks which each Director set at the beginning of the fiscal year. For the formula for calculating the amount of payment and the mechanism of annual performance-based bonuses, please check our company's website.</p> <p><small>* Core operating profit ratio: an indicator of ordinary profitability calculated by excluding temporary income and expenses from operating profit.</small></p>

Restricted share-based compensation (long-term incentive)
<p>The Company grants, every year in principle, shares with transfer restriction until the time immediately after resignation or retirement of a Director. The objective of the system is to give incentives to sustainably increase the value of the Company and to promote sharing the same value between shareholders and Directors for as long as possible by having the restricted shares.</p>

(Figure 1) Ratio of the Composition of Compensations



### Medium-term performance-based share compensation (long-term incentive compensation)

Medium-term performance-based share compensation, which is a long-term incentive compensation, will be a trust-type share compensation system that has the nature of performance share (performance-based share compensation) for Directors (excluding Outside Directors) as compensation based on the achievement of the performance of the 5-year business plan in order to promote management with an emphasis on increasing shareholder value over the mid-to-long-term. The indicators for the achievement of the 5-year business plan targets include not only financial indicators, but also non-financial indicators such as research and development progress and ESG indicators. The performance-based coefficient is determined within the range of 0% to 200% according to the degree of achievement of those targets.

Index for the achievement of targets	Evaluation ratio	Evaluation coefficient fluctuation range	Targets (set with the following as a guide)		
Revenue	20%	0 ~ 200%	Upper limit: Target x 110%	Target: Expected value announced about 5-year business plan	Lower limit: Target x 90%
Core operating profit ratio before research and development expenses	20%	0 ~ 200%	Upper limit: Target x 120%	Target: Expected value announced about 5-year business plan	Lower limit: Target x 80%
ROE	20%	0 ~ 200%	Upper limit: Target x 140%	Target: Expected value announced about 5-year business plan	Lower limit: Target x 60%
Research and development progress	15%	0 ~ 200%	Research and development achievements (number of new indications for 3ADCs on the market, pipeline value in the early and late stages)		
ESG indicators	10%	0 ~ 200%	Evaluation based on Dow Jones Sustainability Indices, FTSE Russell, and Access to Medicine		
Relative TSR*	15%	0 ~ 200%	Upper limit: Comparison result with TOPIX including dividend x 150%	Target: Comparison result with TOPIX including dividend x 100%	Lower limit: Comparison result with TOPIX including dividend x 50%
Total	100%	0 ~ 200%			

\*Abbreviation of Total Shareholder Returns

### Clawback provision

The Company will set forth a clawback provision that can request the refund of part or all of the compensation received for annual performance-based bonuses and medium-term performance-based share compensation by the resolution of the Board of Directors after consultation with the Compensation Committee in the event that a material accounting error or fraud, or record of a significant impairment loss occurs. This clause will be applied from the FY2021 annual performance-based bonus and medium-term performance-based share compensation and will be applied for all periods thereafter.

### Malus provision

The Company will set forth a malus provision that will not delivery and pay part or all of the Company's shares and proceeds from their sale under the share delivery system for the medium-term performance-based share compensation by the resolution of the Board of Directors after consultation with the Compensation Committee in the event of misconduct such as violations of laws and regulations or serious violations of internal regulations.

### Compensation governance and decision-making process

The Compensation Committee has been established as an advisory body to the Board of Directors to ensure the appropriateness of compensation for Directors and the transparency of the decision-making process. The Compensation Committee consists of only Outside Directors, with one Outside Audit & Supervisory Board Member participating as an observer, and the chairperson is appointed by mutual appointment of the members. The Compensation Committee fully discusses the compensation policy, the level of compensations, the composition of the compensation, the ratio of the composition of compensations, Clawback provision, Malus provision, the compensation governance and decision-making process, amount of annual performance-based bonuses, allocation of restricted share, and result of medium-term performance-based share compensation. In addition, the Compensation Committee discusses and confirms the detailed design of indices for the achievement of each compensation, and also verifies the compensation levels for each position. The amount of compensation for each individual Director of the Company is first deliberated by the Compensation Committee, and then based on the deliberation results, each type of the compensation will be determined by a resolution of the Board of Directors within the total amount of compensation resolved at the General Shareholders Meeting.

For an overview of the compensation system, please see [here](#)

## Our Approach to Audit & Supervisory Board Member Compensation

Compensation to Audit & Supervisory Board Members is only basic, fixed compensation in view of the role of oversight of management and no position to take charge of business execution. The level of basic compensations is set aiming to provide high level compensations in the industrial sector, referring to the levels of other companies learned from the surveys of external specialist institutions. Specifically, a group of companies is selected for comparison from the top 100 listed companies on the Tokyo Stock Exchange with the largest market

capitalization. The Company also refers to the levels of other leading domestic pharmaceutical companies. The amount of the compensation for each Audit & Supervisory Board Member has been determined through the discussion and with the unanimous consent in the Audit & Supervisory Board meetings within the total amount of the compensation approved by the General Shareholders Meeting.



## Enhancing the Effectiveness and Functions of the Board of Directors (Board Evaluation for FY 2024)

The Company utilizes the board evaluation in order for the Board of Directors and Directors themselves to assess their current status and identify issues to be addressed, continuously making efforts to improve the functions and effectiveness of its Board of Directors. The Company has conducted board evaluation of the Board of Directors every fiscal year and addressed the issues identified for improvement through the board evaluation. In the subsequent board evaluation, the Company assesses the latest status and confirms the status of improvement from the previous fiscal year.

### Implementation Method of the Board of Directors Evaluation for FY2024

The Company determines the board evaluation items including the items to be evaluated by the Directors themselves in addition to the evaluation of the Board of Directors as a whole as the contents and items for evaluation relating to the effectiveness of the Board as a whole with reference to the principle and supplementary principle associated with the general principle 4, “Roles and Responsibilities of the Board” of Tokyo Stock Exchange’s Corporate Governance Code. The major evaluation items in the questionnaire 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) Functions of the Nomination Committee and the Compensation Committee
- (5) Issues and matters for improvement regarding effectiveness of the Board of Directors
- (6) Resolution of issues identified in the previous fiscal year’s board evaluation, and improvement measures
- (7) Overall corporate governance

In FY2024, we conducted a Board of Directors evaluation by a third-party organization. Self-evaluations through questionnaires and interviews by the third-party organization were conducted with all Directors and Audit & Supervisory Board Members, and we received reports from the third-party organization on the analysis and evaluation results. Additionally, in FY2024, we conducted an outside director peer review.

### Results of the Board Evaluation for FY2024

The third-party organization reported the result of the Board of Directors Evaluation for FY2024, concluded that in terms of its roles, responsibilities, operation and composition, the Board of Directors of the Company, as well as the Nomination Committee and the Compensation Committee, which are advisory bodies to the Board of Directors, are functioning appropriately, and that the effectiveness of the Board of Directors as a whole has been ensured.

Furthermore, based on our business environment and other factors, it has been evaluated that high-quality discussions are being held with clear points of focus through the formation of a common understanding of the roles and functions of the Board of Directors, appropriate selection of agenda items, facilitation of discussions by the Chairperson of the Board, and individual prior explanations of the Board proposals to Outside Directors.

In addition, it was confirmed that through the following efforts, improvements are being made to items 1 through 3 below, which were identified as items that need further improvement in the evaluation of the previous fiscal year.

Issues for Improvement (identified in FY2023)	Major Initiatives in FY2024
1 Enhancement of discussions on key matters to strengthen the oversight function of the Board of Directors	<ul style="list-style-type: none"><li>At the Board of Directors, Director and Audit &amp; Supervisory Board Member meetings for opinion exchanges, and others, the Board of Directors especially focused on the discussions regarding long-term strategies, 5-year business plan, globalization, sustainability, ESG management, and risk management.</li></ul>
2 Strengthening in terms of operation to strengthen the Board of Directors’ decision-making and oversight functions	<ul style="list-style-type: none"><li>The Company discussed the optimal balance between oversight and execution for the Company and operated the Board based on revised optimizing matters for deliberation and reported matters of the Board of Directors.</li><li>The Company has continued to set up opportunities for discussion, including occasions other than the Board of Directors (e.g. meetings to exchange views among Directors and Audit &amp; Supervisory Board Members, meetings for Outside Directors and Outside Audit &amp; Supervisory Board Members, briefing sessions for Outside Directors and Outside Audit &amp; Supervisory Board Members).</li></ul>
3 Further considerations for optimizing the Board of Directors composition	<ul style="list-style-type: none"><li>In the Board of Directors and Nomination Committee, the members discussed the optimal composition of members of the Board for the Company with the objective of enhancing corporate governance and further strengthening the oversight functions of the Board of Directors.</li><li>The percentage of Outside Directors on the Board was increased to 50% by increasing the number of Outside Directors by one.</li><li>The Board of Directors appointed Inside Director candidates who were women and non-Japanese</li></ul>

### Priority Measures for FY2025

Drawing on the evaluations of FY2024, 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 FY2025:

- 1 Enhancement of discussion on key matters for further strengthening the oversight functions of the Board of Directors (long-term strategy, 5-year business plan, globalization, etc.)
- 2 Enhancement in terms of operation for further strengthening of the decision-making functions and oversight functions of the Board of Directors
- 3 Further considerations for optimizing the Board of Directors composition

Furthermore, we plan to conduct a board evaluation every fiscal year and conduct evaluations by a third-party organization on a regular basis.

## Status of Audit by Audit & Supervisory Board Members for FY2024

### Organization and Personnel of the audit by Audit & Supervisory Board Members

The Company is a company with an Audit & Supervisory Board, and the Audit & Supervisory Board is comprised of five Audit & Supervisory Board Members (two Full-time Audit & Supervisory Board Members and three Outside Audit & Supervisory Board Members), which includes one certified public accountant.

The Company has the Office of Audit & Supervisory Board Members with four full-time staff independent of the execution of business operations, to provide assistance in the execution of the duties of Audit & Supervisory Board Members.

### Activities of Audit & Supervisory Board and its Members

As a general rule, Audit & Supervisory Board meeting is held once a month. Aside from Audit & Supervisory Board meetings, exchanges of views among Audit & Supervisory Board Members are held after the Board of Directors meetings, etc. 18 proposals were placed on the meeting agenda this fiscal year, and approximately 130 minutes was devoted to a regular monthly Audit & Supervisory Board meeting on average.

### Activities of Audit & Supervisory Board Members

Activities		Relevant Members
Regular Meetings with Representative Directors	Held twice a year	Full-time / Outside
Regular Meetings with chairperson of the Board	Held twice a year	Full-time
Meetings with Directors	Held once a year	Full-time
	The Board, Executive Management Committee	Full-time / Outside
Attendance at important meetings	Corporate Ethics Committee, etc	Full-time
	Nomination Committee and Compensation Committee	Outside
Attendance at important meetings of the domestic Group companies	Acting as Part-Time Audit & Supervisory Board Members of the principal domestic Group companies, attendance in meetings of bodies such as the Board and Executive Management Committee meeting of such companies and perusal of important documents of such companies	Full-time
Perusal of documents	Important documentation that includes important approval documents, materials and minutes of important meetings	Full-time
Interviews by Audit & Supervisory Board Members	All Heads of Unit, ALL Heads of global corporate functions, Heads of Division, Vice Presidents (department), Presidents of domestic and overseas Group companies, etc.	Full-time / Outside
Visits by Audit & Supervisory Board Members	Major domestic and overseas business sites	Full-time / Outside
Cooperation with Outside Directors	Holding meetings to exchange views	Outside
	Individual interviews	Full-time
Meetings with Audit & Supervisory Board Members of domestic Group companies	Held one time a year	Full-time
Cooperation with secondary control corporate functions	Receiving reports on the status of establishing and implementing the internal control system, as well as obtaining relevant information	Full-time
	Receiving explanation of Reporting internal audit plans and the results	Full-time / Outside
Cooperation with the Internal Audit Department	Engaging in exchange of views, confirming audit points before internal audits, information-sharing and exchange of views at monthly meetings etc.	Full-time
	Attendance of Internal Audit Department at meetings between Audit & Supervisory Board Members and Accounting Auditors	Full-time
Cooperation with the Accounting Auditors	Receiving briefings and reports from the Accounting Auditor on matters that include the audit plan, audit/ interim review results, results of internal control audit (J-SOX), and engaging in information-sharing and exchange of views on recent topics on a monthly basis, consultation about Key Audit Matters (KAM)	Full-time / Outside

### Specific Sharing and Considerations in Audit & Supervisory Board meetings

- Audit policy, audit plans, and division of duties
- Audit Report by Audit & Supervisory Board
- Consent for the Proposal in General Shareholders Meeting “Election of Audit & Supervisory Board Members”
- Evaluation and appointment /reappointment of Accounting Auditors
- Consent for Remuneration of Accounting Auditors
- Evaluation of the effectiveness of Audit & Supervisory Board
- Internal audit plans and the results
- Non-assurance services by provided Accounting Auditors
- Status report on audit by Audit & Supervisory Board Members of domestic Group companies
- Monthly execution status of duties by Audit & Supervisory Board Members

## Audit & Supervisory Board evaluation for FY2024

Audit & Supervisory Board evaluation is conducted every fiscal year to heighten its effectiveness of Audit & Supervisory Board.

### Method of the Audit & Supervisory Board evaluation

For FY2024 evaluation, Audit & Supervisory Board established a wide range of evaluation items associated with Audit & Supervisory Board effectiveness. Each Audit & Supervisory Board Member conducted a self-evaluation of Audit & Supervisory Board then discussed those matters.

### Evaluation results of the Audit and Supervisory Board

The evaluation results concluded that the Audit & Supervisory Board's activities are largely conducted appropriately and its effectiveness is maintained. In the next fiscal year, Audit & Supervisory Board will focus more on the operational status of the corporate governance system as we expand our global business and advance our DX initiatives.