

Final Update: August 2, 2017

Eisai Co., Ltd.

Haruo Naito, Representative Corporate Officer and CEO

Contact: Masatomi Akana, Vice President, Corporate Affairs

Securities Code: 4523

<http://www.eisai.com/>

The status of Eisai's corporate governance is described below.

## I. Basic philosophy of corporate governance, capital structure, corporate profile, and other basic information

### 1. Basic philosophy

Eisai has adopted the following Corporate Philosophy and incorporated it into the Company's Articles of Incorporation as a commitment to our shareholders.

(Corporate Philosophy)

- (1) The Company's Corporate Philosophy is to give first thought to patients and their families, and to increase their benefits that health care provides. Under this Philosophy, the Company endeavors to become a *human health care (hhc)* company.
- (2) The Company's mission is the enhancement of patient satisfaction. The Company believes that revenues and earnings will be generated as a consequence of the fulfillment of the mission. The Company places importance on this positive sequence of the mission and the ensuing results.
- (3) Positioning compliance, the observance of legal and ethical standards, as a core in all business activities, the Company strives to fulfill corporate social responsibilities.
- (4) The Company's principal stakeholders are patients, customers, shareholders and employees. The Company endeavors to develop a good relationship with stakeholders and to enhance their value through making the following efforts:
  1. Satisfying unmet medical needs, ensuring stable supply of high quality products, and providing useful information of safety and efficacy.

2. Timely disclosure of corporate management information, enhancement of corporate value, and proactive return to shareholders.
3. Ensuring stable employment, offering challenging and fulfilling duties, and providing full opportunities for the development and enhancement of employees' capabilities.

This corporate Philosophy is shared as common knowledge among Eisai's Japanese and overseas group companies (Eisai Network Companies).

While developing Eisai's global business through their respective separate operations, they work as one toward the realization of this Corporate Philosophy. To realize the corporate Philosophy, corporate measures and policies must be executed with long-term vision. Such implementation is made possible only with the trust of the Company's shareholders. Therefore the Company is always aiming for good corporate governance, and to continually achieve its fulfillment.

In considering respecting the rights of all our shareholders, and as the essence of corporate governance is to ensure fair and transparent management and to enhance corporate vitality, the Company aims to secure the trust of its shareholders. With such trust, our shareholders will be motivated to hold our shares with confidence for a long time in accordance with the following basic points of view:

(1) Shareholder Relations:

The Company shall;

- (i) Respect the rights of all shareholders;
- (ii) Ensure the equality of all shareholders;
- (iii) Develop positive and smooth relations with the Company's stakeholders including all shareholders; and
- (iv) Ensure transparency by properly disclosing Company information.

(2) Corporate Governance System

- (i) The Company has adopted a Company with a Nomination Committee, etc. System.
- (ii) The Board of Directors ("the Board") shall delegate to the Corporate Officers broad powers of decision-making for business execution, to the extent permitted by the laws and regulations, and it shall exercise the function of management oversight.
- (iii) The majority of the Board shall be independent and neutral Outside Directors.

- (iv) The Representative Corporate Officer and CEO shall be the only Director who is concurrently a Corporate Officer.
- (v) To clarify the management oversight function, the positions of the Chair of the Board and the Representative Corporate Officer and CEO shall be separated and performed by different people.
- (vi) The Nomination Committee and the Compensation Committee shall be entirely composed of Outside Directors, and the majority of the Audit Committee shall consist of Outside Directors.
- (vii) Each of the Chairs of the Nomination Committee, the Audit Committee and the Compensation Committee shall be appointed from the Outside Directors.
- (viii) The internal control system and its operation shall be implemented to ensure the credibility of financial reports is enhanced.

Detailed information regarding Eisai's corporate governance is available on the corporate website (<http://www.eisai.com/company/governance.html>) along with the Company's Corporate Governance guidelines, Rules of the Board of Directors, Rules of the Nomination Committee, Rules of the Audit Committee, and Rules of the Compensation Committee.

[The reason why the Company doesn't implement each principle of the Corporate Governance Code ]

The Company has implemented each principle of the Corporate Governance Code.

[Disclosure based on each principle of the Corporate Governance Code ]

[Principle 1-3 Basic Guidelines for Capital Policy]

The Company has established "endeavoring to develop a good relationship with patients, customers, shareholders and employees who are the Company's principal stakeholders, and to enhance their value" as its corporate philosophy in its Articles of Incorporation. The capital policy of the Company is also implemented in accordance with this philosophy.

In daily operations, the capital policy is conducted with a focus on "medium- to long-term Return on Equity (ROE) management," "sustainable and stable shareholder returns," and "value-creative investment criteria" that contribute to improving shareholder value, on a foundation of ensuring financial soundness.

The Company believes that ROE is an important indicator of the sustainable creation of value for shareholders. In terms of ROE management, the Company aims to attain a high ROE (creation of a positive equity spread[\*1]) level by improving profit margins, financial leverage and asset turnover in the medium- to long-term.

In terms of shareholder returns, profits are returned to all shareholders in a stable and sustainable way based on factors such as a healthy balance sheet and comprehensive consideration of the consolidated financial results, Dividends on Equity (DOE) and free cash flow, as well as taking into consideration signaling effect. Because DOE indicates the ratio of dividends to consolidated net assets, the Company has positioned it as an indicator that reflects balance sheet management, and, consequently, capital policy. Acquisition of treasury stock will be carried out appropriately after factors such as the market environment and capital efficiency are taken into account. The Company uses the ratio of equity attributable to owners of the parent and net debt ratio as indicators to measure a healthy balance sheet.

In the case of “investment criteria,” in order to ensure value creation through growth investment, the Company invests selectively using the Value-Creative Investment Criteria (VCIC) for strategic investment and sets hurdles for the Net Present Value (NPV) and Internal Rate of Return (IRR) spread by using a risk-adjusted hurdle rate.

Through this type of capital policy, the Company strives to maintain both growth investment and stable shareholder returns, and to improve shareholder value in a sustained manner.

[\*1] (Equity spread) = (ROE) – (shareholder capital cost)

[Principle 1-4 “Cross-shareholding”]

If we take into consideration the fact that an extended period of time is required to progress from basic research/R&D to delivery of the medicine to the patient, we believe that long-term partnerships are crucial to pharmaceuticals manufacturing companies.

The Company’s fundamental policy regarding strategic shareholding is to use cross-shareholdings as a means of enhancing cooperation with other companies in ways that promote an increase in its own corporate value. Shareholdings are kept to the minimum necessary, and are reviewed as

needed in light of the impact on increasing corporate value, etc. Stock that is judged to have little impact on increasing corporate value, etc., is sold while giving attention to the impact on the market and other aspects of business that should be considered.

In addition, when exercising voting rights related to strategically held shares, the Company will vote in favor of proposals it judges will contribute to the increase of the value of shares held by the Company, and vote against proposals it judges will damage the value.

#### [Principle 1-7 Transactions between Related Parties]

In order to prevent interested parties of the Company, including its directors, corporate officers, and employees, from abusing their position to harm the interests of the Company or the common interests of shareholders, the Company's Anti-Bribery and Anti-Corruption Policy of Eisai Network Companies (ENW[\*2]) contains provisions prohibiting conflict-of-interest transactions, giving of benefits to shareholders, and bribery. Directors, corporate officers, and employees are made thoroughly familiar with the content through compliance training, etc.

[\*2] ENW (Eisai Network Companies) refers to the corporate group comprised of Eisai Co., Ltd., and its consolidated subsidiaries and affiliates.

The existence of transactions between the Company and its major shareholders as well as the nature of such transactions are appropriately supervised by the Company's Board of Directors, and subjected to periodic audits by the Audit Committee. In an effort to prevent conducts that run counter to the interests of the Company and its shareholders, the Company's Board of Directors stipulates and discloses in the Detailed Rules of the Board of Directors that transactions competitive to the Company and transactions that conflict with the interests of the Company by directors and corporate officers require the approval of the Board of Directors. Furthermore, with regard to such transactions, directors and corporate officers are required to report material facts appropriately to the Board of Directors.

#### [Principle 3-1 Full Disclosure]

In regard to Items (i) through (v) given in Principle 3.1, we provide information carefully and in an easy-to-understand manner in the General Meeting of Shareholders reference documents and Business Reports, etc.

English-language versions of the Notice of Convocation for the General Meeting of Shareholders, Business Reports, the Integrated Report, etc., are also created. In addition to these materials, we have also created an English-language version of our website.

(i) In addition to establishing a corporate philosophy in its Articles of Incorporation, the Company has established the Corporate Objective and the Charter of Business Conduct of Eisai Network Companies, and has released them on the website.

<http://www.eisai.com/corporatemission/index.html>

We strive to share the corporate philosophy by a broad, general release, including to shareholders, by including it in the Notice of Convocation for the General Meeting of Shareholders, Business Reports, the Integrated Report, etc. In addition, we proactively disclose and release the medium-term and annual business strategy and business plan through financial statement releases, individual shareholder explanation meetings, media press conferences and information meetings for financial analysts and financial institutions.

(ii) Through the Board of Directors, the Company has established the “Corporate Governance Guidelines,” which stipulate the Company’s basic thinking regarding corporate governance, and has disclosed it on the Company’s website.

<http://www.eisai.com/company/cgguideline.html>

(iii) The Company is a Company with a Nomination Committee, etc., system. The Compensation Committee has the authority to determine the contents of the compensation, etc., of each Director and Corporate Officer. The Compensation Committee mainly establishes policies related to the determination of the individual compensation, etc., for Directors and Corporate Officers, the contents of the individual compensation, etc., for Directors and Corporate Officers, and the evaluation of Company-wide performance goals and individual Corporate Officer performance goals related to the determination of performance-related compensation for Corporate Officers. The process for determining compensation, etc., has been disclosed in Notice of Convocation of the 105th Ordinary General Meeting of Shareholders(the Business Report).

(iv) The Company is a Company with a Nomination Committee, etc., system. The Nomination Committee has the authority to determine General Meeting of Shareholders proposals related to the election and dismissal of Directors, as well as the basic policy, rules and procedures, etc., required for the election and dismissal of Directors. The Nomination Committee determines proposals regarding the composition of the Board of Directors for the next fiscal year and the requirements, etc., for independence and neutrality of Outside Directors and selects candidates for directorship. The duties, contents of activities, etc., of the Nomination Committee have been disclosed in Notice of Convocation of the 105th Ordinary General Meeting of Shareholders (the Business Report ).

The election of Corporate Officers is an agenda item to be resolved by the Board of Directors. The Representative Corporate Officer and CEO proposes candidates to the Board of Directors (including the reasons for those candidates), and the Board of Directors elects the individuals.

(v) In regard to the election of Directors, the reference documents of the Notice of Convocation for the General Meeting of Shareholders include the reasons for proposal of each candidate for directorship decided by the Nomination Committee. In addition, matters related to the independence and neutrality of Outside Directors confirmed by the Nomination Committee are also included.

In regard to the election of Corporate Officers, the reasons for election are included in the agenda items of the Board of Directors, and the Representative Corporate Officer and CEO (the proposer) provides the Board of Directors with sufficient explanation for each selection.

[Supplementary Principles 4-1-1 Roles and Responsibilities of the Board (1)]  
The Company is a Company with a Nomination Committee, etc., system. The Company's Board of Directors delegates to Corporate Officers a significant amount of decision-making related to the execution of business, to the extent allowed by relevant laws and regulations to invigorate operation, and focuses on management oversight.

The Board of Directors makes decisions on basic management policy, the election of Corporate Officers and other important matters stipulated by laws and regulations, the Articles of Incorporation and the Rules of the Board of Directors. The specific matters to be resolved by the Board of

Directors and the specific matters that are to be reported to the Board of Directors are stipulated in the Detailed Rules of the Board of Directors. The Rules of the Board of Directors and the Detailed Rules have been disclosed on the Company's website.

<http://www.eisai.com/company/boardmtg.html>

[Principle 4-8 Effective Use of Independent Directors]

The majority of the members of the Company's Board of Directors must be Outside Directors who are independent and neutral. Also, the Company shall establish an Outside Directors Meeting comprised of Outside Directors only and make the role of Outside Directors function more effectively. The Company's Board of Directors has established the "Corporate Governance Guidelines," which stipulate the Company's basic thinking regarding corporate governance, and has disclosed it on the Company's website.

<http://www.eisai.com/company/cgguideline.html>

Currently, 7 of the 11 directors are Outside Directors (constituting 63.6% of total number of directors). All 7 have been registered with the Tokyo Stock Exchange as Independent Officers.

[Principle 4-9 Independence Standards and Qualification for Independent Directors]

After the Company transitioned to a Company with Committees system (currently "Company with a Nomination Committee, etc., system") in 2004, the Nomination Committee held repeated discussions, and in 2006 disclosed the "Requirements for the Independence of Outside Directors" (currently "Requirements for the Independence and Neutrality of Outside Directors").

The Nomination Committee gathers information on discussions related to the independence of Outside Directors and the standards for the independence of Outside Directors disclosed by various organizations, inspects the "Requirements for the Independence and Neutrality of Outside Directors" each year and revises them as needed. The current "Requirements for the Independence and Neutrality of Outside Directors" include the Tokyo Stock Exchange's standards for judging independence and are disclosed in General Meeting of Shareholders reference documents, etc.

From among the multiple candidates who meet the stipulations of the Companies Act regarding Outside Directors and fulfill the stipulations of the "Requirements for the Independence and Neutrality of Outside Directors,"



the Company's Nomination Committee elects candidates for directorship suited to the Company who agree with the Company's efforts to improve corporate governance, and will display management oversight as an outside director in the Company with a Nomination Committee, etc., system.

In addition, the Nomination Committee also investigates whether candidates for Outside Director fulfill the aforementioned requirements and confirms that there are not problems related to independence and neutrality, not only at the time they are newly appointed, but for each year when they are candidates for reelection.

[Supplementary Principles 4-11-1 Preconditions for Ensuring the Effectiveness of the Board of Directors and Board of Auditors]

The Company's Board of Directors must consist of diverse Directors with differing backgrounds of specialized knowledge and experience and must maintain the appropriate number of members to enable the Board of Directors to function at peak effectiveness and efficiency.

Currently, 7 of the 11 Directors are independent and neutral Outside Directors. The backgrounds of the 7 Outside Directors include corporate management, certified public accountant, lawyer, scholars, and diplomats, etc. Further, 1 of those 7 Outside Directors is a non-Japanese citizen, and 1 is a woman.

The Company's Board of Directors has codified the Company's thinking regarding diversity in the composition of the Board of Directors in the "Corporate Governance Guidelines," which stipulate the Company's basic thinking regarding corporate governance, and has disclosed it on the Company's website.

<http://www.eisai.com/company/cgguideline.html>

The Nomination Committee elects candidates for Outside Director in accordance with the basic thinking stipulated in the "Corporate Governance Guidelines." In order to enable all shareholders to understand the activities of the Nomination Committee, the Company has disclosed the duties of the Nomination Committee, the details of activities throughout the year and the procedures for electing candidates for directorship, etc., in Notice of Convocation of the 105th Ordinary General Meeting of Shareholders (the Business Report).

[Supplementary Principles 4-11-2 Preconditions for Ensuring the Effectiveness of the Board of Directors and Board of Auditors]

The Company's Board of Directors has specified the role of Directors, including Outside Directors, in the "Corporate Governance Guidelines" as indicated below, such as putting to use their ability to meet the expectations of shareholders, spending sufficient time on their duties and executing their duties as Directors, so that all Directors, including Outside Directors, will respond to the confidence placed in them by shareholders. The Company's Directors comply with these stipulations and execute their duties as Directors.

- Directors shall assume the duty of care and the duty of loyalty.
- Directors shall request explanations at Board Meetings, actively express their opinions, conduct thorough discussions and exercise their voting rights, as well as collect sufficient information to execute their duties.
- Through the timely and appropriate exercise of their right to propose agenda items and to call for Board Meetings to be convened, the Directors shall seek solutions to issues concerning the management of the Company of which they become aware.
- In responding to the trust placed in them by all shareholders, Directors shall spend sufficient time on the execution of their duties and demonstrate the competence expected of them.

In addition, in regard to the location of concurrent assignments of Directors, each year, the Nomination Committee confirms the executives of listed companies and confirms that there are no problems executing duties as a Director of the Company, and in the case of an Outside Director, confirms that there are no problems related to the independence and neutrality as an Outside Director. The status of the main concurrent assignments of Directors is disclosed in the reference documents accompanying the Notice of Convocation for the Ordinary General Meeting of Shareholders and annual securities reports, etc.

[Supplementary Principles 4-11-3 Preconditions for Ensuring the Effectiveness of the Board of Directors and Board of Auditors]

Every year, the Board shall evaluate the state of the Company's corporate governance and enhance the effectiveness of corporate governance in accordance with the self-review of the Board resolutions relating to the Corporate Governance Guidelines and an internal control and the evaluation

by the Outside Directors Meeting on the effectiveness of the Board of Directors.

■ Evaluation of the Effectiveness of the Board of Directors

- (1) The Board of Directors evaluation assesses the Board's overall effectiveness, etc., in performing its management oversight functions.
- (2) The scope of the Board of Directors evaluation also includes the Nomination Committee, Audit Committee, Compensation Committee, and the Outside Directors Meeting.
- (3) The Board of Directors evaluation is based on self-evaluations by individual directors.
- (4) The results of the Board of Directors evaluation are compiled and summarized by the Outside Directors Meeting to ensure the objectivity of the evaluation, and the evaluation is determined in a meeting of the Board of Directors.

■ Self-review of the Corporate Governance Guidelines

- (1) The Corporate Governance Guidelines are a code of conduct for corporate governance established by the Board of Directors.
- (2) The Board of Directors conducts reviews each year to evaluate whether the execution of duties by the Board of Directors, etc., is maintained and operated in accordance with these Guidelines.

■ Self-review of the Internal Control Regulations

- (1) The Internal Control Regulations were established by the Board of Directors to stipulate matters required for the execution of duties by the Audit Committee and ensure suitable performance of duties by corporate officers.
- (2) The Board of Directors conducts reviews each year to evaluate whether systems are established and evaluated in accordance with both sets of rules.

FY2016 Corporate Governance Evaluation Results

With regard to the Corporate Governance Guidelines and Internal Control Regulations, no evidence was found of operation, etc., that deviates from the rules, and it was confirmed that the Board of Directors and corporate officers are executing their duties appropriately to improve corporate governance. The current status and issues regarding the effectiveness of the Board are identified as summarized below.

- 1) The Board of Directors sets appropriate proposals in a timely manner, and the secretariat takes sufficient time to explain the proposals to each

director in advance. In its deliberations, the Board discusses any questions raised and reaches a resolution, etc., on each proposal, based on active comments made by the directors. It was confirmed that the Board sufficiently fulfills its roles and responsibilities.

- 2) At meetings of the Board of Directors, corporate officers answer questions raised by directors in a timely and appropriate manner. Directors actively point out issues and state their opinions that lead to the presentation of agenda items, and the Board appropriately receives reports from operational divisions, which promptly report required items.
- 3) Quarterly business execution reports submitted by corporate officers include improvements each year, such as adding report contents that give an overview of the progress of business plans. In addition, it was confirmed that ongoing improvements need to be made to enhance understanding, such as considering how to make more targeted reports and using graphs, figures, and tables.
- 4) It is understood that, depending on the contents of the proposals deliberated at meetings of the Board of Directors, the Board can engage in deeper discussions and further enhance its management oversight function by sharing the following information in advance: detailed explanation of the proposals, circumstances leading to decision-making, the review process, and background to the discussion, etc.
- 5) With regard to early distribution of proposals and materials, etc., for the Board of Directors, improvements such as enabling a draft to be viewed 1 week before meetings of the Board are held were implemented by introducing an information sharing system that is accessible from outside the Company. It was confirmed that ongoing efforts will need to be made in the future, such as making the system more user-friendly.
- 6) At meetings of the Board of Directors, highly specialized matters unique to the pharmaceutical industry are sometimes deliberated upon. To deepen discussions at Board meetings, opportunities for training and on-site visits targeting outside directors will continue to be provided. It was confirmed that outside directors will make ongoing efforts to obtain information and knowledge necessary for management oversight, and that they require sufficient support to that end.
- 7) It was confirmed that the Nomination Committee, Audit Committee, and Compensation Committee are appropriately managed. Corporate officers' reports to the Audit Committee are now shared with directors other than Audit Committee members so that information is shared between the

Audit Committee and the Board of Directors. The Nomination and Compensation

Committees also makes detailed reports on deliberation contents to the Board of Directors.

- 8) Operational divisions rigorously engage in internal control. Systems for internal control are established and operated at a reasonable level, including the implementation of external evaluation of internal audits. Risks in Japan and overseas are reported to the Audit Committee in a timely and sufficient manner. In particular, it was confirmed that the Board of Directors will continue to address overseas risks with an active interest.
- 9) At meetings of outside directors, outside directors were able to deepen mutual understanding and share knowledge about corporate governance. It was confirmed that outside directors will continue to fulfill their role by reviewing a wider range of topics in the future so that they can engage in more efficient and substantial discussions at meetings of the Board of Directors, etc.
- 10) Corporate governance evaluations will continue to be compiled and summarized at summarized by the Outside Directors Meeting to ensure the objectivity of the evaluation. However, it was confirmed that the use of an evaluation by an external third party may need to be considered for the 3rd round of evaluations in FY2017.

Based on the above evaluation, the Company's Board of Directors will maintain and enhance the elements that the evaluators deemed acceptable, work to improve in problem areas, etc., and continue to aspire toward realization of the best possible corporate governance for the Company.

[Supplementary Principles 4-14-2 Director and Auditor Training]

Training workshops for directors, etc., are planned and implemented as needed in accordance with requests from directors.

Before taking office, newly appointed outside directors receive explanations of matters related to an overview of the Company, the Corporate Philosophy, business conditions, and corporate governance, as well as various types of regulations, etc. In order to deepen the outside director's understanding of the Company after taking office, explanations and tours of business sites, etc., given by the corporate officers in charge related to the Company's

business activities, the trends of the pharmaceuticals industry, and the Company's business environment, are conducted as soon as possible.

Promptly after taking office, newly appointed corporate officers undergo new corporate officer training to learn their roles, duties, and responsibilities as corporate officers, acquire the legal knowledge that they need to have as corporate officers, familiarize themselves with the regulations pertaining to Company officers, and master the requisite knowledge and skills for enhancing their executive leadership abilities.

In addition, executive compliance workshops for directors and corporate officers are regularly conducted.

Based on the results of the FY2015 evaluation of the effectiveness of the Board of Directors, directors visited their respective sales offices, R&D sites, and production plants to exchange information with employees. In addition, the Company held new outside director training workshops (overview of the medium-term business plan, business plan, and research and development activities, overview of production activities, and the Company-wide organizational structure and functions), tours of the Tsukuba Research Laboratories, Kawashima Plant, and Naito Museum of Pharmaceutical Science and Industry for directors, executive compliance workshops (2 times), and a new corporate officer training session, among other activities. In accordance with the Corporate Philosophy, the Company carried out socialization training (getting close to and spending time together with patients) to establish a better understanding of how patients and their families feel.

#### [Principle 5-1 Policy for Constructive Dialogue with Shareholders]

The Company has established an information disclosure policy. In order to ensure the consistency and uniformity of the Company's information disclosure, the policy stipulates that the people in charge of information disclosure are the Company's CEO, CFO and person responsible for IR/PR, and Company employees who have been appointed by them.

Also, the Company proactively engages in dialogue with outside directors and institutional investors.

The Company discloses information on the state of the Company's business and finances to shareholders and investors in an active, fair, appropriate and timely manner, and promotes IR activities that contribute to further improvement of corporate value. The IR department collaborates with relevant departments in daily operations, and in addition to meetings with

individuals, analysts and institutional investors, meetings regarding quarterly financial disclosure are held 4 times a year, and an information meeting led by the CEO is held once a year. In addition, the Integrated Report was issued in FY2015 as a tool for engagement between shareholders and investors and the Company.

We thoroughly implement information management of insider information in conversations with shareholders, through internal training, non-disclosure agreements and other means.

In the Company's "Corporate Governance Guidelines," which stipulate the Company's basic thinking regarding corporate governance, the Company's Board of Directors has stipulated the necessity of striving to maintain cordial and smooth relationships with stakeholders in order to improve long-term corporate value. IR activities, including feedback from investors, are reported to the Board of Directors on a regular basis. In addition, the results of periodic investigations of shareholder composition are also reported to the Board of Directors.

## 2. Capital structure

**Percentage of Foreign Shareholders** : 20 to 30%

### [Status of Major Shareholders]

Name / Company Name	Number of shares Held	Percentage (%)
Japan Trustee Services Bank, Ltd. (trust account)	31,481,000	10.62
The Master Trust Bank of Japan, Ltd. (trust account)	25,829,000	8.71
JP Morgan Chase Bank 385147	15,038,875	5.07
Nippon Life Insurance Company	12,281,845	4.14
Saitama Resona Bank, Limited	7,300,000	2.46
Trust & Custody Services Bank, Ltd. as trustee for Mizuho Bank, Ltd. Retirement Benefit Trust Account re-entrusted by Mizuho Trust and Banking Co., Ltd.	5,437,000	1.83
Japan Trustee Services Bank, Ltd. (trust account 5)	4,736,500	1.60
The Naito Foundation	4,207,169	1.42

Name / Company Name	Number of shares Held	Percentage (%)
State Street Bank West Client-Treaty 505234	3,936,195	1.33
Trust & Custody Services Bank, Ltd. (securities investment trust account)	3,796,300	1.28

**Predominant Shareholders:** -----

**Parent Company:** Not exist

**Supplementary explanation:**

The 10,399,676 shares (3.51%) of treasury stock are not included in this table as they do not have voting rights.

Although the following Large Shareholding Report (revised report) was received before the end of the fiscal year, in cases in which it is impossible to make confirmation with the shareholder registry for the end of the fiscal year, or in which the number of shares held is not ranked among the top 10, it is not included in the table. Further, the holding percentage enclosed in parentheses is the percentage of the total number of outstanding shares (rounded down), including treasury stock.

1) Including BlackRock Japan Co., Ltd., all 7 companies jointly held 15,262,000 shares (5.15%) as of November 28, 2014 (December 4, 2014, Large Shareholding Report)

2) Including the Mitsubishi UFJ Financial Group, Inc., all 4 companies jointly held 16,113,000 shares (5.43%) as of July 13, 2015 (July 21, 2015, Revised Report)

3) Including the Wellington Management Company, LLP, all 2 companies jointly held 27,087,000 shares (9.13%) as of July 31, 2015 (August 7, 2015, Revised Report)

4) Including Sumitomo Mitsui Trust Bank, Limited, all 3 companies jointly held 14,926,000 shares (5.03%) as of April 15, 2016 (April 21, 2016, Large Shareholding Report)

5) Including Mizuho Bank, Ltd., all 2 companies jointly held 18,900,000 shares (6.37%) as of October 14, 2016 (October 21, 2016, Large Shareholding Report)

6) Vanguard Health Care Fund held 14,838,000 shares (5.00%) as of November 24, 2016 (December 15, 2016, Large Shareholding Report)



### **3. Corporate profile**

**Listed stock markets and market section:** Tokyo, Section 1

**Accounting period:** March

**Type of business:** Pharmaceuticals

**Employees (consolidated):** 1,000 or more

**Sales (consolidated):** ¥100 billion or more, less than ¥1 trillion

**Consolidated subsidiaries:** 10 or more, less than 50

**4. Indicator concerning strategy of protection of minority stockholders when having dealings with predominant stockholder.**

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**5. Other circumstances that may significantly affect corporate governance**

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**II. The status of management decisions, business management organization related to administration and oversight, and other corporate governance systems**

**1. Organizational composition and operation**

**Organization type:** Company with a committees system

**[Directors]**

**Number of directors on article of incorporation:** 15

**Term of office on article of incorporation:** 1

**Chair of Board of Directors:** Outside director

**Number of directors:** 11

**[Outside Directors]**

**Number of outside directors:** 7

**Number of independent directors who are outside directors:** 7

**Relationship to the company (1)**

Name	Characteristics	Relationship to the Company [*1]
Toru Yamashita	Came from another company	—
Ikuo Nishikawa	Came from another company	—
Eiichiro Suhara	Came from another company	—
Yasuhiko Katoh	Came from another company	—
Tamaki Kakizaki	Came from another company	—
Daiken Tsunoda	Came from another company	—
Bruce Aronson	Came from another company	—

[\*1] Types of relationship to the company

- person who executes business of the company or a subsidiary
- person who executes business or a non-executive director of a parent company
- person who executes business of a fellow subsidiary
- person/entity for which the company is a major client or a person who executes business for such person/entity
- major client of the company or a person who executes business for such client
- consultant, accounting expert, or legal expert who receives large amounts of cash or other assets in addition to director/auditor compensation from the company

- g. major shareholder of the company (in cases where the shareholder is a corporation, a person who executes business of the corporation)
- h. person who executes business for a client of the company  
(excluding persons categorized as any of d, e, or f above)
- i. person who executes business for another company holding cross-directorships/cross-auditorships with the company
- j. person who executes business for an entity receiving contributions from the company
- k. others

#### Relationship to the company (2)

Name	Supplementary Explanation of Conforming Items	Supplementary Explanation of Conforming Items
Toru Yamashita (Independent officer for notifications to stock exchanges)	Meeting “Requirements for the Independence and Neutrality of Outside Directors” that were stipulated by the Nomination Committee. (See the final page for details.)	<p><b>&lt;Reason for Selection&gt;</b></p> <p>Mr. Yamashita has abundant experience as an executive of a company that has been providing, over many years, IT systems both in Japan and abroad. He has served as an outside director for other companies and has a high level of insight into management and excellent supervisory ability.</p> <p>In addition to constructing a Board of Directors composed of diverse members with a variety of specialized knowledge and experience, etc., the Nomination Committee has considered such factors as his</p> <p>(1) practical accomplishments as a director and chair of the Board of Directors,</p> <p>(2) qualifications and capabilities as a director,</p> <p>(3) experience, and</p> <p>(4) age and number of years in office, etc.</p> <p>Having determined that He is capable of objectively executing his management oversight duties and is suitable as a director of the Company, the Nomination Committee</p>

Name	Supplementary Explanation of Conforming Items	Supplementary Explanation of Conforming Items
		<p>has nominated him to continue from the previous year serving as an outside director.</p> <p><b>&lt;Policy for Independence and Neutrality&gt;</b></p> <p>Mr. Yamashita has experience serving as an officer of NTT DATA Corporation. The Company has transactional partnerships with said company and its consolidated subsidiary, NTT DATA institute of Management Consulting, Inc., for systems-related businesses, etc., but the value of said partnerships was negligible (less than 0.01% of the consolidated sales of said companies).</p> <p>He serves as a Mitsui Fudosan Co, Ltd. outside director. Mitsui Fudosan Co., Ltd.'s consolidated subsidiary, Mitsui Fudosan Building Management Co., Ltd., has a transactional partnership with the Company related to office buildings, etc., but the value of said partnerships is negligible (less than 0.01% of the consolidated sales of said company).</p> <p>He also serves as an outside director of Sumitomo Life Insurance Company. Said company holds shares in the Company, but it is no more than 0.2% of the Company's outstanding shares. The Company obtained a long-term, fixed-rate loan from said company in FY2008. The size of the loan was no more than 2.0% of the total amount of the Company's long-term liabilities at the time. The Company also has transactions with said company in terms of insurance policies. However, the value of said</p>

Name	Supplementary Explanation of Conforming Items	Supplementary Explanation of Conforming Items
		<p>transactions is negligible (less than 0.01% of the total amount of said insurance company's insurance in force).</p> <p>For the above reasons, there are no matters that would impair his ability to execute his duties as an independent, neutral outside director.</p> <p>The Nomination Committee has confirmed that he meets the conditions for outside directors stipulated by the Companies Act and the Requirements for the Independence and Neutrality of Outside Directors established by the Nomination Committee, and that there is no related obstacle, problem or other circumstance that would impair his ability to execute his duties as an outside director.</p> <p>In addition, he does not fall under any of the requirements of Article 211 Clause 4 Item 5 of the Ordinance for Enforcement of Securities Listing Regulations.</p>
Ikuo Nishikawa (Independent officer for notifications to stock exchanges)	Meeting “Requirements for the Independence and Neutrality of Outside Directors” that were stipulated by the Nomination Committee. (See the final page for	<p><b>&lt;Reason for Selection&gt;</b></p> <p>Mr.Nishikawa is a certified public accountant. He is a specialist in finance, accounting, and international financial reporting standards who has been involved in creating Japanese accounting standards for many years. Although he has not been directly involved with management, he has experience serving as an outside director at another company and of working abroad as well as a strong international perspective, a high level of insight into management, and excellent supervisory ability.</p>

Name	Supplementary Explanation of Conforming Items	Supplementary Explanation of Conforming Items
	details.)	<p>In addition to constructing a Board of Directors composed of diverse members with a variety of specialized knowledge and experience, etc., the Nomination Committee has considered such factors as his</p> <p>(1) practical accomplishments as a director and chair of the Audit Committee,</p> <p>(2) qualifications and capabilities as a director,</p> <p>(3) experience, and</p> <p>(4) age and number of years in office, etc.</p> <p>Having determined that he is capable of objectively executing his management oversight duties and is suitable as a director of the Company, the Nomination Committee has nominated him to continue from the previous year serving as an outside director.</p> <p><b>&lt;Policy for Independence and Neutrality&gt;</b></p> <p>Mr. Nishikawa serves as an outside corporate auditor of the Mitsubishi Corporation. The Company has a transactional partnership with said company related to the purchase of raw materials, etc., but the value of said partnership is negligible (less than 0.01% of the consolidated sales of said company).</p> <p>He serves as an outside director of Daiwa Securities Group Inc. Said company owns shares in the Company. However, it is no more than 0.1% of the Company's outstanding shares. There is no steady transactional partnership between said company and Eisai Co., Ltd.</p> <p>Although he also currently serves as an</p>

Name	Supplementary Explanation of Conforming Items	Supplementary Explanation of Conforming Items
		<p>outside director (member of the Audit Committee, etc.) of MEGMILK SNOW BRAND Co., Ltd., there is no transactional partnership between said company and Eisai Co., Ltd.</p> <p>For the above reasons, there are no matters that would impair his ability to execute his duties as an independent, neutral outside director.</p> <p>The Nomination Committee has confirmed that he meets the conditions for outside directors stipulated by the Companies Act and the Requirements for the Independence and Neutrality of Outside Directors established by the Nomination Committee, and that there is no related obstacle, problem or other circumstance that would impair his ability to execute his duties as an outside director.</p> <p>In addition, he does not fall under any of the requirements of Article 211 Clause 4 Item 5 of the Ordinance for Enforcement of Securities Listing Regulations.</p>
Eiichiro Suhara (Independent officer for notifications to stock exchanges)	Meeting “Requirements for the Independence and Neutrality of Outside Directors” that were stipulated by the Nomination Committee.	<p><b>&lt;Reason for Selection&gt;</b></p> <p>Mr. Suhara has abundant experience as a manager of a global corporation in the writing materials industry, as well as a high level of insight into management and excellent supervisory ability.</p> <p>In addition to constructing a Board of Directors composed of diverse members with a variety of specialized knowledge and experience, etc., the Nomination Committee has considered such factors as his</p>

Name	Supplementary Explanation of Conforming Items	Supplementary Explanation of Conforming Items
	(See the final page for details.)	<p>(1) practical accomplishments as a director, chair of the Nomination Committee, and member of the Compensation Committee,</p> <p>(2) qualifications and capabilities as a director,</p> <p>(3) experience, and</p> <p>(4) age and number of years in office, etc.</p> <p>Having determined that he is capable of objectively executing his management oversight duties and is suitable as a director of the Company, the Nomination Committee has nominated him to continue from the previous year serving as an outside director.</p> <p><b>&lt;Policy for Independence and Neutrality&gt;</b></p> <p>Mr. Suhara serves as the Representative Director and President of Mitsubishi Pencil Co., Ltd. There is no steady transactional partnership between said company and the Company.</p> <p>He serves as an outside director of Yokohama Shinko Co., Ltd. However, there is no transactional partnership between said company and the Company.</p> <p>For the above reasons, there are no matters that would impair his ability to execute his duties as an independent, neutral outside director.</p> <p>The Nomination Committee has confirmed that he meets the conditions for outside directors stipulated by the Companies Act and the Requirements for the Independence and Neutrality of Outside Directors established by the Nomination Committee, and that there is no related obstacle,</p>



Name	Supplementary Explanation of Conforming Items	Supplementary Explanation of Conforming Items
		<p>problem or other circumstance that would impair his ability to execute his duties as an outside director.</p> <p>In addition, he does not fall under any of the requirements of Article 211 Clause 4 Item 5 of the Ordinance for Enforcement of Securities Listing Regulations.</p>
Yasuhiko Katoh (Independent officer for notification to stock exchanges)	Meeting “Requirements for the Independence and Neutrality of Outside Directors” that were stipulated by the Nomination Committee. (See the final page for details.)	<p><b>&lt;Reason for Selection&gt;</b></p> <p>Mr. Katoh has abundant experience as a manager of a global corporation in the shipping and marine industries, etc., as well as a high level of insight into management and excellent supervisory ability.</p> <p>In addition to constructing a Board of Directors composed of diverse members with a variety of specialized knowledge and experience, etc., the Nomination Committee has considered such factors as his</p> <p>(1) practical accomplishments as a director and member of the Nomination Committee and Compensation Committee,</p> <p>(2) qualifications and capabilities as a director,</p> <p>(3) experience, and</p> <p>(4) age and number of years in office, etc.</p> <p>Having determined that he is capable of objectively executing his management oversight duties and is suitable as a director of the Company, the Nomination Committee has nominated him to continue from the previous year serving as an outside director.</p> <p><b>&lt;Policy for Independence and Neutrality&gt;</b></p> <p>Mr. Katoh has experience serving as an officer of Mitsui Engineering &amp;</p>

Name	Supplementary Explanation of Conforming Items	Supplementary Explanation of Conforming Items
		<p>Shipbuilding Co., Ltd. However, there is no transactional partnership between said company and the Company, and there are no matters that would impair his ability to execute his duties as an independent, neutral outside director.</p> <p>The Nomination Committee has confirmed that he meets the conditions for outside directors stipulated by the Companies Act and the Requirements for the Independence and Neutrality of Outside Directors established by the Nomination Committee, and that there is no related obstacle, problem or other circumstance that would impair his ability to execute his duties as an outside director.</p> <p>In addition, he does not fall under any of the requirements of Article 211 Clause 4 Item 5 of the Ordinance for Enforcement of Securities Listing Regulations.</p>
Tamaki Kakizaki (Independent officer for notification to stock exchanges)	Meeting “Requirements for the Independence and Neutrality of Outside Directors” that were stipulated by the Nomination Committee. (See the final page for details.)	<p><b>&lt;Reason for Selection&gt;</b></p> <p>Ms. Kakizaki is a specialist in internal controls and internal audits. Although she has not been directly involved with management, she has experience serving as an outside director for another company, and a high level of insight into management and excellent supervisory ability thanks to an extensive research background that gives her a deep knowledge of corporate internal controls, corporate governance, and risk management.</p> <p>In addition to constructing a Board of Directors composed of diverse members</p>

Name	Supplementary Explanation of Conforming Items	Supplementary Explanation of Conforming Items
		<p>with a variety of specialized knowledge and experience, etc., the Nomination Committee has considered such factors as her</p> <p>(1) practical accomplishments as a director and member of the Audit Committee,</p> <p>(2) qualifications and capabilities as a director,</p> <p>(3) experience, and</p> <p>(4) age and number of years in office, etc.</p> <p>Having determined that she is capable of objectively executing her management oversight duties and is suitable as a director of the Company, the Nomination Committee has nominated her to continue from the previous year serving as an outside director.</p> <p><b>&lt;Policy for Independence and Neutrality&gt;</b></p> <p>Ms. Kakizaki serves as an outside corporate auditor of Mitsubishi Shokuhin Co., Ltd. Although there is a transactional partnership between said company and the Company's business handling OTC (over-the-counter) products, the value of said partnership is negligible (less than 0.01% of the consolidated sales of said company).</p> <p>For the above reasons, there are no matters that would impair her ability to execute her duties as an independent, neutral outside director.</p> <p>The Nomination Committee has confirmed that she meets the conditions for outside directors stipulated by the Companies Act and the Requirements for the Independence and Neutrality of Outside Directors established by the Nomination</p>

Name	Supplementary Explanation of Conforming Items	Supplementary Explanation of Conforming Items
		<p>Committee, and that there is no related obstacle, problem or other circumstance that would impair her ability to execute her duties as an outside director.</p> <p>In addition, she does not fall under any of the requirements of Article 211 Clause 4 Item 5 of the Ordinance for Enforcement of Securities Listing Regulations.</p>
Daiken Tsunoda (Independent officer for notifications to stock exchanges)	<p>Meeting</p> <p>“Requirements for the Independence and Neutrality of Outside Directors” that were stipulated by the Nomination Committee. (See the final page for details.)</p>	<p><b>&lt;Reason for Selection&gt;</b></p> <p>Mr. Tsunoda is a legal expert and a specialist in the Companies Act. Although he has not been directly involved with management, he has served as an outside director for other companies and has rich experience related to corporate law, giving him a high level of insight into management and excellent supervisory ability.</p> <p>In addition to constructing a Board of Directors composed of diverse members with a variety of specialized knowledge and experience, etc., the Nomination Committee has considered such factors as his</p> <p>(1) practical accomplishments as a director and member of the Audit Committee,</p> <p>(2) qualifications and capabilities as a director,</p> <p>(3) experience, and</p> <p>(4) age and number of years in office, etc.</p> <p>Having determined that he is capable of objectively executing his management oversight duties and is suitable as a director of the Company, the Nomination Committee has nominated him to continue from the previous year serving as an outside director.</p>

Name	Supplementary Explanation of Conforming Items	Supplementary Explanation of Conforming Items
		<p><b>&lt;Policy for Independence and Neutrality&gt;</b></p> <p>Mr.Tsunoda is also a partner at Nakamura, Tsunoda &amp; Matsumoto. Although there was a history of the payment of consultancy fees, etc., between said law firm and the Company, the amount was negligible (less than ¥10 million per year). Note that there was no history of any such payment during FY2016.</p> <p>In addition to this Company, he currently serves as an outside officer at 4 other companies. Of them, MS&amp;AD Insurance Group Holdings, Inc. holds shares in the Company through an affiliated business, and the Company holds shares in said company. However, the size of those holdings is no more than 1% of the outstanding shares of either company. The Company also has transactions with an affiliated insurance company of said company in relation to insurance policies. However, the value of said transactions is negligible (less than 0.01% of the total amount of said insurance company's insurance in force). The other 3 companies where he serves as an outside officer have no steady transactional partnerships with the Company.</p> <p>For the above reasons, there are no matters that would impair his ability to execute his duties as an independent, neutral outside director.</p> <p>The Company's Nomination Committee is aware that he serves as an outside officer at</p>

Name	Supplementary Explanation of Conforming Items	Supplementary Explanation of Conforming Items
		<p>multiple companies and has confirmed that he will be able to fully fulfill his duties as a Company director.</p> <p>The Nomination Committee has confirmed that the candidate meets the conditions for outside directors stipulated by the Companies Act and the Requirements for the Independence and Neutrality of Outside Directors established by the Nomination Committee, and that there is no related obstacle, problem or other circumstance that would impair the candidate's ability to execute his duties as an outside director.</p> <p>In addition, he does not fall under any of the requirements of Article 211 Clause 4 Item 5 of the Ordinance for Enforcement of Securities Listing Regulations.</p>
Bruce Aronson (Independent officer for notifications to stock exchanges)	Meeting “Requirements for the Independence and Neutrality of Outside Directors” that were stipulated by the Nomination Committee. (See the final page for details.)	<p><b>&lt;Reason for Selection&gt;</b></p> <p>Mr. Aronson is a practicing attorney and a legal academic with a focus on comparative corporate governance. Although he has not been directly involved with management, he has a high level of insight into management and excellent supervisory ability thanks to an extensive research background that gives him deep knowledge of corporate internal controls, corporate governance, and risk management.</p> <p>In addition to constructing a Board of Directors composed of diverse members with a variety of specialized knowledge and experience, etc., the Nomination Committee has considered such factors as his</p>

Name	Supplementary Explanation of Conforming Items	Supplementary Explanation of Conforming Items
		<p>(1) qualifications and capabilities as a director,</p> <p>(2) experience, and</p> <p>(3) age, etc.</p> <p>Having determined that he is capable of objectively executing his management oversight duties and is suitable as a director of the Company, the Nomination Committee has nominated him as a new outside director.</p> <p><b>&lt;Policy for Independence and Neutrality&gt;</b></p> <p>Mr. Aronson is not concurrently employed by any company or organization with a relationship of interest with the Company or its subsidiaries and associated companies. There are no reasons that would have an effect on his independence or neutrality.</p> <p>The Nomination Committee has confirmed that he meets the conditions for outside directors stipulated by the Companies Act and the Requirements for the Independence and Neutrality of Outside Directors established by the Company's Nomination Committee, and that there is no related obstacle, problem or other circumstance that would impair his ability to execute his duties as an outside director.</p> <p>In addition, he does not fall under any of the requirements of Article 211 Clause 4 Item 5 of the Ordinance for Enforcement of Securities Listing Regulations.</p>

**[Individual Committees]**

**Committee composition and attributes of chair**

	All Members	Full-time Members	Inside Directors	Outside Directors	Committee Chair
Nomination Committee	3	0	0	3	Outside director
Compensation Committee	3	0	0	3	Outside director
Audit Committee	5	2	2	3	Outside director

**[Corporate Officers]**

**Number of Corporate Officers: 27**

**Status of additional duties**

Name	Representative Authority	Additional Duties as Director			Additional Duties as Employee
			Nomination Committee Member	Compensation Committee Member	
Haruo Naito	Yes	Yes	No	No	No
Hideki Hayashi	Yes	No	No	No	No
Yasushi Okada	Yes	No	No	No	No
Kenta Takahashi	No	No	No	No	No
Edward Stewart Geary	No	No	No	No	No
Gary Hendler	No	No	No	No	No
Terushige Iike	No	No	No	No	No
Ryohei Yanagi	No	No	No	No	No
Ivan Cheung	No	No	No	No	No
Takashi Owa	No	No	No	No	No
Yasunobu Kai	No	No	No	No	Yes
Lynn Kramer	No	No	No	No	No
Sayoko Sasaki	No	No	No	No	No
Junichi Asatani	No	No	No	No	No
Shaji Procida	No	No	No	No	No
Kimura Teiji	No	No	No	No	Yes
Yabune Hidenori	No	No	No	No	Yes
Hiroyuki Kato	No	No	No	No	Yes



Name	Representative Authority	Additional Duties as Director			Additional Duties as Employee
			Nomination Committee Member	Compensation Committee Member	
Alexander Scott	No	No	No	No	No
Masayuki Miyajima	No	No	No	No	Yes
Tatsuyuki Yasuno	No	No	No	No	Yes
Yanhui Feng	No	No	No	No	No
Yoshiteru Kato	No	No	No	No	Yes
Mitsuaki Tanaka	No	No	No	No	No
Shohei Kanazawa	No	No	No	No	Yes
Masatomi Akana	No	No	No	No	No
Hiroyuki Kobayashi	No	No	No	No	Yes

### **[Auditing Structure]**

**Directors and employees responsible for assisting in execution of the duties of the Audit Committee:** Yes

### **Independence of said directors and employees from corporate officers**

The Management Audit Department has been established as a department specializing in assisting in execution of the duties of the Audit Committee, and maintains its independence from corporate officers through the following setup.

- The Management Audit Department shall be organized independent of the Corporate Officers of the Company.
- The director and staff of the Management Audit Department shall perform their duties under the direction of the Audit Committee and Audit Committee Members of the Company.
- The director and staff of the Management Audit Department shall be appointed, reassigned and disciplined by the Representative Corporate Officer and CEO of the Company with the consent of the Audit Committee of the Company.
- The decision on personnel evaluation of the director and staff of the Management Audit Department will be conducted by the Audit Committee of the Company.

### **Status of link between the Audit Committee, Accounting Auditors and internal auditors**

The Audit Committee conducted the following auditing activities in relation to the Accounting Auditor.

- The Audit Committee confirmed the yearly accounting audit plans of the Accounting Auditor in advance and obtained a copy of the plan. In addition, the Committee deliberated on whether to approve audit compensation, etc.
- The Audit Committee obtained and reviewed the auditing opinions and recommendations of the Accounting Auditor regarding quarterly and year-end financial statements (consolidated and nonconsolidated).
- Of the individual accounting audits carried out by the Accounting Auditor, the Audit Committee obtained information regarding important audits.
- The Audit Committee obtained information concerning the internal control audits executed by the Accounting Auditor.
- The Audit Committee continuously confirmed the status of the internal control of the Accounting Auditor related to Article 131 of the Rules of Company Accounting.
- The Audit Committee received the results of investigation and monitoring of the independent public accountant by the regulatory authority, etc., as needed and evaluated those results.
- Based on the specific requests in Auditing Standards Committee Statement 260, a document issued by the Japanese Institute of Certified Public Accountants, the Audit Committee obtained reports on the responsibilities of the Accounting Auditor in relation to audits of financial statements, the scope and timing of planned audits, the independence of the Accounting Auditor, and other items, and discussed important findings concerning auditing matters.

The Audit Committee conducted the following auditing activities in relation to the corporate officer responsible for internal control, internal audit [\*1] departments, and other related parties.

- The Audit Committee shared information related to internal control promotion activities and overall auditing activities through Audit Council meetings. Outside the Audit Council meetings, the Audit Committee also promptly shared information regarding matters of urgency related to internal audits.
- In order to determine the existence of any investigations that may aid in audit-related matters, the Audit Committee checked the internal audit plans (annual plans and individual plans) and obtained plan documents.
- The Audit Committee obtained, from the Corporate Internal Audit Department, copies of the annual audit plans and the results of individual

audits carried out by the internal audit departments of ENW[\*2] companies.

- The Audit Committee regularly obtained information concerning the status of internal control over financial reporting under the Financial Instruments and Exchange Act of Japan.
- The Audit Committee regularly obtained reports regarding the status of efforts in internal control related to risk management.

[\*1] Unlike audits performed by the Audit Committee and accounting audits conducted by the Accounting Auditor, internal audits are conducted voluntarily. The Company works together with the internal audit departments set up in each region (Japan, the United States, Europe, China, and Asia) by the Corporate Internal Audit Department, which is overseen by the corporate officer responsible for internal control, to perform internal audits globally. These internal audits are intended to evaluate from an independent and objective standpoint whether the duties of each corporate officer are executed properly and efficiently. The audit results are reported to the Executive Board and Audit Committee. To ensure the audits are of a high quality that meets global standards, each year the internal audit departments receive evaluations by an external evaluation committee composed of outside experts. These evaluations are conducted according to international standards developed by The Institute of Internal Auditors (IIA), which is headquartered in the United States.

[\*2] ENW (Eisai Network Companies) refers to the corporate group comprised of Eisai Co., Ltd., and its consolidated subsidiaries and affiliates..

#### **[Independent directors]**

**Number of independent directors: 7**

#### **Other matters regarding independent directors**

Since Eisai's seven outside directors all conform to the provisions of the Companies Act relating to the requirements for independent directors and to the provisions of the "Requirements for the Independence and Neutrality of Outside Directors" prescribed by the Company's Nomination Committee (see the final page of this document), and since none of the characteristics specified in Item 5, Paragraph 4, Article 211 of the Enforcement Rules for

Securities Listing Regulations apply to them, the seven outside directors have all been registered as independent directors.

**[Incentives]**

**Status of the implementation of measures to give incentives to directors and corporate officers**

Performance-based compensation system implemented.

**Supplementary explanation of the above**

The Corporate Officers are applied bonuses and stock-based compensation as performance-based compensation.

The stock-based compensation system introduced in FY2013 is a medium-long term incentive plan granting the Company's shares to corporate officers through a trust based on the degree of achievement of the Company-wide performance objectives.

Process of determining bonuses and Stock-based compensation described in [Director/Corporate Officer Compensation].

**Stock option recipients**

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**Supplementary explanation of the above**

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**[Director/Corporate Officer Compensation]**

**Disclose situation of compensation of Individual director:** Not disclosed

**Disclose situation of compensation of Individual Corporate Officer:** only a part of compensation is disclosed

**Supplementary explanation of the above**

The officers for whom consolidated compensation, etc., totaled ¥100 million or more in FY2016 are the following 5 individuals.

The total amounts for each are given below.

Haruo Naito Representative Corporate Officer and CEO ¥145 million

Gary Hendler Senior Vice President ¥126 million

Lynn Kramer Vice President ¥166 million

Shaji Procida Vice President ¥147 million

Alexander Scott Vice President ¥119 million

- Gary Hendler receives compensation from Eisai Europe Ltd. (U.K.), while Lynn Kramer, Shaji Procida, and Alexander Scott each receive compensation from Eisai Inc. (U.S.A.). The total amount of compensation received is shown for these individuals.

## **Policy regarding the determination of compensation and method of calculation**

Existent

## **Disclosures of policy regarding the determination of compensation and method of calculation**

### **1) Determination of Compensation, etc.**

Compensation paid to directors and corporate officers is determined by the Compensation Committee. The 3 members of the Company's Compensation Committee including the chair are outside directors, and place emphasis on an objective perspective and transparency.

The Compensation Committee has the authority to determine the content of compensation of individual directors and corporate officers of the Company. It determines (1) policy concerning decisions on the content of compensation of individual directors and corporate officers, (2) the content of compensation of individual directors and corporate officers, and (3) the evaluation of the level of attainment of Company-wide performance targets and the individual performance targets of each corporate officer for the performance-based compensation of corporate officers.

### **2) Basic Policy Regarding the Determination of Compensation**

The Compensation Committee has established the following Basic Policy concerning compensation paid to directors and corporate officers in the Rules for the Operation of the Compensation Committee.

- (1) Compensation shall be such that it enables the Company to globally attract excellent personnel to the Company's management cadre.
- (2) Compensation shall be reasonable and have a high level of fairness, and shall be such that it can be explained to shareholders and employees as fulfilling those requirements.
- (3) A different system shall be used for compensation for directors who perform management oversight functions and corporate officers who perform duties.
- (4) Compensation paid to directors shall be at a level suitable to enable them

- to perform their management oversight function, which is their duty.
- (5) Compensation paid to corporate officers shall be at a level that will strongly motivate them in the performance of their duties, thereby contributing substantially to the Company.
  - (6) Directors who serve concurrently as corporate officers shall receive only the compensation designated for corporate officers.
  - (7) Corporate officers who serve concurrently as employees shall receive only the compensation designated for corporate officers.

### 3) Process of Determining the Compensation System

The Compensation Committee examines various issues concerning the compensation paid to directors and corporate officers, confirms the level of compensation each year, and determines the compensation system for the following year.

The Compensation Committee actively incorporates and utilizes data, etc., from outside specialized organizations when examining various issues related to compensation and investigating and examining the level of compensation.

### 4) Compensation System for Directors

[Director compensation] -----> [Base compensation]

- Base compensation is a fixed amount.
- The chair of the Board of Directors and each Committee chair receive additional compensation for his or her service as chair.
- Inside directors receive additional compensation for their service as full-time directors.

Compensation paid to directors is only a fixed base compensation. The duty of directors is to supervise management, and a fixed rate not incorporating performance-based compensation is used to ensure that directors are able to properly perform their oversight functions. The level is intended to be set at the upper middle range for the industry.

### 5) Compensation System for Corporate Officers

Compensation paid to corporate officers is determined in accordance with these basic policies by the Compensation Committee with an aim to enable the Company to attract excellent personnel to the Company's management cadre and to strongly motivate corporate officers in the performance of their

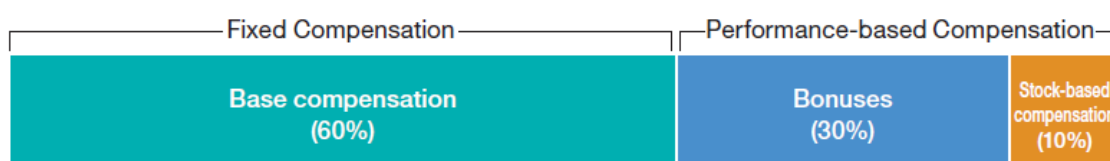
duties, thereby contributing substantially to the Company, and with a recognition of the differences in the levels and mechanisms of compensation, etc., in each country or region.

Compensation paid to corporate officers is made up of base compensation, bonuses, and stock-based compensation, as shown in the following figure. The level of compensation paid to corporate officers is intended to be set at the upper middle range for the industry.

[Corporate officer compensation] -----> [Base compensation]  
-----> [Bonuses]  
-----> [Stock-based compensation]

- Base compensation is a fixed amount.
- Bonuses are paid within the range of 0-225% of the base amount of bonus by position according to the degree of attainment of Company-wide performance objectives and the performance objectives of individual corporate officers.
- Stock-based compensation is granted within the range of 0-150% of the base number of shares granted by position according to the degree of attainment of Company-wide performance objectives.

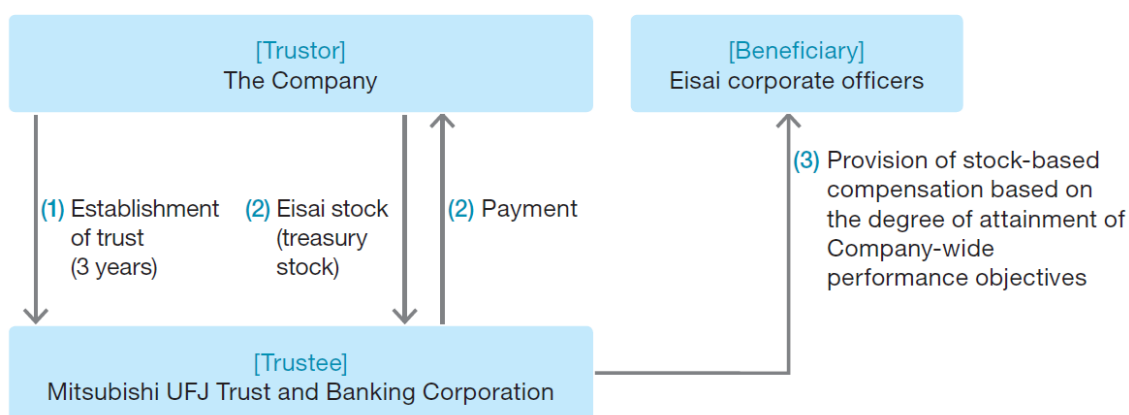
The compensation paid to corporate officers is made up of base compensation, bonuses, and stock-based compensation at a ratio of 6:3:1, and performance-based compensation accounts for 40% of total compensation.



In the case of compensation, etc., for corporate officers who have been appointed from an overseas subsidiary and corporate officers who have advanced specializations or qualifications, etc., the compensation paid is determined on an individual basis considering differences in local compensations systems, compensation levels, and specializations of duties, although the process of determining compensation is the same. In particular, the performance-based compensation of corporate officers who have been appointed from an overseas subsidiary adopts a medium- to long-term incentive system instead of a stock-based compensation system.

## ■ Stock-based Compensation System for Corporate Officers

Mechanism of the stock-based compensation system (conceptual diagram)



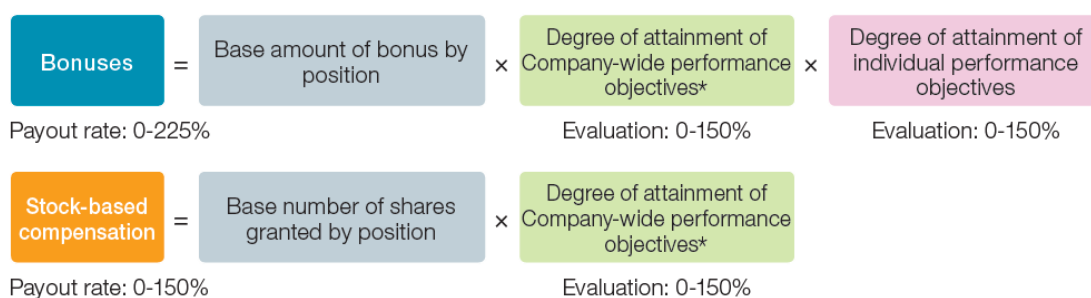
The Company's stock-based compensation system is a medium- to long-term incentive plan that provides stock-based compensation to corporate officers through a trust based on the degree of attainment of Company-wide performance objectives.

It is designed to motivate the Company's corporate officers to share the profit-consciousness of shareholders, and to perform duties from a medium- to long-term perspective on performance and stock prices.

Stock-based compensation provided to corporate officers increases or decreases each year according to Company-wide performance. In addition, in the medium and long term, when stock prices fluctuate, the actual value of the compensation fluctuates accordingly. Eisai believes that maintaining this mechanism will strengthen the motivation of corporate officers to take the perspective of shareholders and strive to increase corporate value.

Company regulations prohibit corporate officers from selling Eisai stock while in office and until at least 1 year after the individual has left that position.

## ■ Process of Determining Performance-based Compensation



\* Consolidated revenue, consolidated operating profit, consolidated profit for the year (attributable to the parent company), and consolidated ROE



The Compensation Committee deliberates and determines the performance evaluations of corporate officers and the amount and number of shares granted to each person as performance-based compensation (bonuses and stock-based compensation). The bonuses and stock-based compensation of corporate officers are calculated based on the degree of attainment of Company-wide performance objectives and the degree of attainment of individual performance objectives using the above formula.

The degree of attainment of Company-wide performance objectives is determined based on an evaluation of consolidated revenue, consolidated operating profit, consolidated profit for the year (attributable to the parent company), and consolidated ROE. Each fiscal year, the Compensation Committee evaluates the achievement of Company-wide performance objectives in a range of 0 to 150%, based on the degree of achievement of each item.

As for the degree of attainment of individual performance objectives, the Compensation Committee approves the individual evaluations proposed by the Representative Corporate Officer and CEO after evaluation, in accordance with the degree of achievement of the individual performance objectives of each corporate officer. Further, each corporate officer assigns weighted points to concrete performance objectives in accordance with the priority of the objectives, then sets individual performance objectives through deliberation with the Representative Corporate Officer and CEO. The objectives are approved by the Compensation Committee after evaluation of their suitability.

As a result, bonuses for corporate officers are paid in the range of 0 to 225%, with the bonus base value as 100%, and stock-based compensation is provided in the range of 0 to 150%, with the base number of granted shares as 100%.

6) Total Amount of Compensation Paid to Directors and Corporate Officers

The grand total of compensation paid to directors and corporate officers in FY2016 (from April 1, 2016, to March 31, 2017) was ¥1,435 million.

Total FY2016 Officer Compensation

	Base compensation		Performance-based compensation				Total (Millions of yen)
			Bonuses		Stock-based compensation		
	Number of recipients (No. of shareholders)	Amount (Millions of yen)	Number of recipients (No. of shareholders)	Amount (Millions of yen)	Number of recipients (No. of shareholders)	Expense amount (Millions of yen)	
Directors (inside)	4	113	—	—	—	—	113
Directors (outside)	10	74	—	—	—	—	74
Corporate officers	23	736	25	388	25	123	1,247
Total	37	924	25	388	25	123	1,435

- (Notes) 1 As the compensation of directors also serving as corporate officers is only the compensation for corporate officers, the compensation of the Director, Representative Corporate Officer and CEO is included in the amount for corporate officers.
- 2 Figures for base compensation are the total figures for base compensation paid to each applicable director and corporate officer for the respective terms in FY2016.
- 3 Figures for bonus payments to corporate officers are the total figures representing the total value of planned accrued bonuses to be paid in July 2017 to eligible corporate officers for the period from April 2016 through March 2017, together with the total value of bonus payments paid in July 2016 to eligible corporate officers for the period from April 2015 through March 2016, less the value of the reserve for bonus payments disclosed in the business report for FY2015.
- 4 Figures for stock-based compensation paid to corporate officers are the total figures representing the total value of planned stock-based compensation payments to be paid in July 2017 to eligible corporate officers for the period from April 2016 through March 2017, together with the total value of stock-based compensation and other amounts paid in July 2016 for the period from April 2015 through March 2016, less the value of the reserve for stock-based compensation disclosed in the business report for FY2015. The stock-based compensation of corporate officers indicated is based on the total amount obtained by multiplying the total number of the Company's common stock granted or scheduled

to be granted to the relevant corporate officer by the unit price of the Company's shares held by a trust.

- 5 Stock options have been abolished since the transition to the stock-based compensation system in June 2013, and no necessary expenses for accounting were recorded beginning in FY2015, and are therefore not shown in the table.

### **[Outside Director Support System]**

#### **Support Structure for the Board of Directors and Committees**

##### **(1) Board of Directors**

The Board of Directors Secretariat has been established as a department to support the Board of Directors and carry out the following duties.

- a. Preparing agenda items and related materials for the Board of Directors and holding prior discussions with the Chair of the Board of Directors
- b. Providing information to directors in a prompt manner and explaining agenda items in advance

##### **(2) Audit Committee**

The Company has established a Management Audit Department to provide support for the Audit Committee. The Management Audit Department ensures the objectivity of audits by guaranteeing its independence from operating divisions in relation to directions related to the execution of their duties and personnel evaluations, etc.

As the secretariat for the Audit Committee, the Management Audit Department is responsible for the following duties.

- a. Preparing agenda items and related materials for the Audit Committee and holding prior discussions with the Chair of the Audit Committee
- b. Providing information to members of the Audit Committee in a prompt manner and explaining agenda items in advance
- c. Providing the necessary information on matters for deliberation by the Audit Committee to directors not on the Audit Committee

##### **(3) Nomination Committee, Compensation Committee, and Independent Committee of Outside Directors**

The Board of Directors Secretariat carries out the following secretariat duties for the Nomination Committee, Compensation Committee, and Independent Committee of Outside Directors.

- a. Preparing agenda items and related materials for the Committees and holding prior discussions with the Chairs of the Committees
- b. Explaining agenda items to members of the Committees in advance

## **2. Business execution, auditing/oversight, nomination, compensation determination, etc., functions**

### **1) Overview of the Company's corporate governance system**

The core aspect of Eisai's corporate governance is the clear separation between the management oversight function and the management implementation function, through which maximum benefit is obtained from Eisai's status as a Company with a Nomination Committee, etc., System. To ensure that this is carried out as thoroughly as possible, the Company appoints independent, neutral outside directors. That is to say, while the Board of Directors grants wide discretionary authority to the Company's Corporate Officers, in order to enhance the effectiveness and flexibility of operational execution, at the same time, while ensuring autonomy and enhancing management vitality through the establishment of internal controls by Corporate Officers, the whole of the execution of operation by the Corporate Officers is supervised by the Board of Directors (more than half of whose members are outside directors), which enjoys the trust of shareholders, thereby ensuring that management is conducted fairly through the best possible decision-making.

Please refer to the schematic diagram of Eisai's corporate governance system and the "Requirements for the Independence and Neutrality of Outside Directors" prescribed by the Company's Nomination Committee, which are presented on the final page of this document.

### **2) About the Company's corporate organs**

As a Company with a Nomination Committee, etc., System, Eisai has established the Board of Directors and nomination, audit and compensation committees required by law, with the corporate officers required by law being appointed by the Board of Directors. Furthermore, although such a committee is not required by law, the Company has also established an Outside Directors Meeting and an Independent Committee of Outside Directors (ICOD), the membership of them is composed of the company's outside directors. The chairman of the company's Board of Directors and the chairs of the nomination, audit and compensation committees are all appointed from among the outside directors, creating an organizational framework that permits highly transparent operation. The makeup and main responsibilities of the Company's corporate organs are as described below.

- (1) Board of Directors (11 directors (including 1 woman); 7 outside directors and 4 internal directors; the Chairman of the Board of Directors shall be appointed from among the outside directors, for a term of one year)
- a. The Board of Directors shall aim for the realization of the Corporate Philosophy through the construction of good corporate governance. The Board of Directors shall fulfill oversight function and conduct the best decision-making through fair judgment.
  - b. The Board of Directors shall determine the material matters required by law, the Articles of Incorporation and the Rules of the Board of Directors, including basic management policies and the appointment of Corporate Officers.
  - c. In order to accelerate speed and increase flexibility of business execution and to enhance the vitality of management, the Board of Directors shall, except for the items provided in the preceding clause, delegate the decision-making function on business conduct to the Corporate Officers.
  - d. The Board of Directors shall oversee the execution of duties by the Directors and Corporate Officers on the basis of reports from the Nomination Committee, Audit Committee, the Compensation Committee and the Corporate Officers.
  - e. The Board of Directors will endeavor the realization of the Corporate Philosophy, the corporate value and the long-term enhancement of the common interests of the shareholders, and shall have the duty to make fair decisions and take actions on such conduct that may possibly damage such goals.
  - f. In order for CEO (Representative Corporate Officer) to be elected by the Board of Directors, all Directors shall share information related to the plan to develop the future CEO (Representative Corporate Officer).
  - g. The Board of Directors, together with the Nomination, Audit and Compensation Committees, shall execute their duties with consideration of each of their respective authority and without violating each other, and they shall have communication.
  - h. The Board of Directors and Corporate Officers shall fulfill their responsibilities, and have communication.

- (2) Nomination Committee (3 Members, all of whom must be outside directors; the chairman shall be an outside director, appointed for a term of one year)
- a. The Nomination Committee shall determine the content of proposals related to the selection or retirement of Directors presented to the General Meeting of Shareholders.
  - b. The Nomination Committee shall establish the “Requirements for the Independence and Neutrality of Outside Directors” for the selection of independent outside directors.
  - c. The Nomination Committee shall establish basic policies, rules, and procedures necessary for the execution of duties by the Nomination Committee.
- (3) Audit Committee (5 Members (including 1 woman), of which 3 shall be outside directors and 2 shall be internal directors; the chairman shall be an outside director, appointed for a term of one year)
- a. The Audit Committee shall audit the execution of duties of the Directors and Corporate Officers, determine the content of proposals related to the election, dismissal and non-reappointment of Accounting Auditors to be submitted to the General Meeting of Shareholders, and conduct accounting audits and other matters stipulated by applicable laws and regulations.
  - b. The Audit Committee shall strive to realize efficient and higher quality of auditing through such means as receiving timely and appropriate reports from Directors, Corporate Officers, employees and the Accounting Auditor related to necessary items for auditing of the execution of their duties and cooperating with the Accounting Auditor and internal audit department.
  - c. The Audit Committee shall establish the basic policies, rules, procedures, etc., necessary for the execution of its duties.
  - d. The independence of the Management Audit Department, which executes duties based on the resolutions of the Audit Committee and the instructions of the members of the Audit Committee, from the Corporate Officers regarding work instructions and orders, personnel evaluations, etc., shall be secured in order to ensure the objectivity of audits.

(4) Compensation Committee (3 Members, all of whom must be outside directors; the chairman shall be an outside director, appointed for a term of one year)

- a. The Compensation Committee shall determine the policies related to the determination of the content of the compensation, etc., of Directors and Corporate Officers, and determine the content of compensations, etc. for individual Directors and Corporate Officers.
- b. The Compensation Committee shall proactively incorporate data from external surveys, etc., in order to ensure the objectivity of the determination of the compensations, etc., of Directors and Corporate Officers, as well as review and determine the validity of the decision-making process in relation to compensations, etc.
- c. The Compensation Committee shall establish basic policies, rules, and procedures necessary for the execution of the duties of the Compensation Committee.

(5) Outside Directors Meeting

(7 Members (including 1 woman), all of which shall be outside directors, appointed for terms of one year)

- a. The Outside Directors Meeting is held to discuss a broad range of matters related to the Company's corporate governance and business, and strive for continued enhancement of corporate governance.
- b. The matters discussed at the Outside Directors Meeting shall be reported to the Board or notified to the Corporate Officers as necessary.
- c. The Outside Directors Meeting shall evaluate the effectiveness of the supervision function of the management of the Board every year. If there are that issues related to the operation of the Board, etc., the Outside Directors Meeting may make proposals to the Board for addressing such issues.

(6) Independent Committee of Outside Directors (ICOD)

(7 Members (including 1 woman), all of which shall be outside directors, appointed for terms of one year)

The ICOD shall carry out its operations in accordance with the "Policy for Protection of the Company's Corporate Value and

Common Interests of Shareholders” (hereafter referred to as “the Policy”). The Policy shall be reviewed on an annual basis, and a proposal submitted to the Board of Directors as to whether the Policy should be continued, adjusted or abolished.

The rules etc. applying to each of the company’s organs can be viewed on the following webpage:

<http://www.eisai.com/company/cgregulations.html>

### **3. The reasons for choosing the current corporate governance system**

In June 2004, the Company carried out a change of its Articles of Incorporation at the Ordinary General Meeting of Shareholders and adopted the Company with Committees System (the current Company with a Nomination Committee, etc., System) in order to further enhance corporate governance.

With the adoption of the Company with Committees System, the Company increased the number of outside directors to comprise more than half of the Board of Directors. The Company aimed to increase the transparency and fairness of management, strengthen the supervisory function of the Board of Directors over overall management, enhance the quality of management, and improve benefits to shareholders, customers, employees, and other stakeholders. Meanwhile, by granting Corporate Officers the authority to make wide-ranging decisions related to management, the Company aimed to promote flexible management, heighten competitiveness, create a structure that enables the achievement of *human health care (hhc)*, which is the Company’s Corporate Philosophy, and stimulate the vitality of corporate management by securing autonomy through internal control by Corporate Officers.



### III. Status of the implementation of measures related to shareholders and other interested parties

#### 1. Status of implementation of measures for revitalization of the general meeting of shareholders and smoothing of the execution of voting rights

	Supplementary Explanation
Early notification of convocation of general meeting of shareholders	In principle, we strive to send notification of convocation at least four weeks prior to the meeting. from FY 2015, The Japanese version is published on the Tokyo Stock Exchange's and the Company's websites prior to mailing.
Scheduling of general meeting of shareholders away from "concentrated days"	We avoid "concentrated days" to make it possible for as many shareholders as possible to attend.
Electronic execution of voting rights	Electronic execution of voting rights using a voting website of corporate agency from PC and mobile phone.
Participation of a voting rights execution platform and effort to improve the exercising a voting rights system	From the regular general meeting of shareholders scheduled for June 2006, use of a voting rights execution platform for institutional investors was implemented.
Offer in English of Notice of convocation (summary)	The notice of convocation is made in English, and made public on our homepage.
Other	So as to provide a thorough explanation at the General Meeting of Shareholders, the Chairperson himself makes a presentation on performance reports and business strategies. Furthermore, shareholders may actively engage in discussions and a Q&A session is also included in this regard. In order to ensure an environment in which each shareholder is able to exercise his or her voting rights, a voting website with a shareholder registry system is provided by a shareholder registry administrator as well as other electronic voting platforms. In addition, the notices of convocation are thorough in conveying the relevant information, are distributed in both English and Japanese versions, and are published on the Company's website.

## 2. Status of activities related to IR

	Supplementary Explanation	Explanation from Representative
Hold regular meeting for personal investors	The Eisai Group holds explanatory meetings as needed, in cooperation with securities firms, etc. Then, though an IR-style presentation, we explain the content of those meetings to shareholders at the General Shareholder Meeting	Yes
Hold regular meetings for analysts and institutional investors.	The Eisai Group settles accounts quarterly. In conjunction with this, a settlement explanation meeting for analysts and institutional investors is held four times annually. Further, a yearly information meeting is held separately from the settlement explanation meeting to explain the Group's strategy. In addition, the Group holds specialized explanation meetings when appropriate to explain R&D issues. At this meeting, the Corporate Officer in charge of research and development explains the status and results of research and development, as well as strategy, and answers questions.	Yes
Hold regular meetings for investors outside Japan.	We conduct regular visits to investors outside Japan. In addition, Eisai representatives actively participate in conferences, large meetings, and small meetings organized by individual securities companies for institutional investors outside Japan, providing explanations and answering questions.	Yes
Post IR materials on the website.	A website for shareholders and investors has been created on the company website. Along with posting the articles of incorporation, financial statements, reference materials, and materials of explanation meetings for analysts and institutional investors, videos of representatives from explanation meetings are posted in both Japanese and English as soon as they are released. In addition, performance highlights / research and development status summarizing the status of business performance and research and development, the Integrated Report, yearly IR	Yes

	Supplementary Explanation	Explanation from Representative
	<p>schedules, stock procedures / stock prices, announcement of financial statements / electronic announcements, etc., are posted on the website. Moreover, a system has been set up making it possible to send questions related to IR directly to the IR Department via the Internet.</p> <p><a href="http://www.eisai.com/ir/index.html">http://www.eisai.com/ir/index.html</a></p>	
Establish departments (responsible parties) for IR.	<p>Investor Relations Department is set up under the Corporate Officer of Investor Relations. IR activities are being conducted with the cooperation of the Research and Development section, the Corporate Management Planning Department, the Finance &amp; Accounting Division and the General Affairs Department as well as other related departments.</p>	-

### 3. Status of efforts to consider the standpoint of stakeholders

	Supplementary Explanation
Rules regarding consideration of the standpoint of stakeholders through company regulations, etc.	<p>Consideration of the standpoint of stakeholders is clearly prescribed in Eisai's corporate philosophy which has been established in the text of the articles of incorporation. A summary is given below.</p> <p>Eisai believes that its stakeholders are patients and their families, shareholders, and our employees. Through the following activities, Eisai strives to increase the value for our stakeholders as well as develop and maintain good relationships.</p> <ol style="list-style-type: none"> <li>1. Satisfying unmet medical needs, ensuring stable supply of high-quality products, and providing useful information on safety and efficacy</li> <li>2. Timely disclosure of corporate managerial information, enhancement of corporate value, and proactive return to shareholders</li> <li>3. Ensuring stable employment, offering challenging and fulfilling duties, and providing full opportunities for the</li> </ol>

	Supplementary Explanation
	<p>development and enhancement of employees' capabilities</p> <p>In October 2012, the Group released the "Eisai Diversity Declaration" and worked to familiarize all officers and employees with the Declaration.</p> <p>In October 2012, the Eisai Group released the "Eisai Diversity Declaration" and worked to familiarize all officers and employees with the Declaration.</p> <p>We have established the diversity committee, and 3 pillars of our activities to serve as the starting point of our efforts. We will promote the provision of a workplace in which women are able to flourish, the establishment of an environment in which the human resources who support global development can play an active role, and the creation of a system under which middle-aged individuals, senior citizens, and young people work together to create new value. On a foundation of a spirit of respect for others and oneself, we will build a system to expand personal growth into organizational growth, and develop human resources one after another who are able to continue responding to the needs of a diverse society in a prompt and flexible manner, leading to innovation in human resources development.</p>
Implementation of environmental protection activities, CSR activities, etc.	<p>Non-financial value, such as ESG (Environmental, Social and Governance) must be taken into account in addition to financial value when determining a company's value. Seeking medium to long-term sustainable growth in company value, the Group places an emphasis on initiatives that lead to an increase in non-financial value, such as promoting consideration for the environment, strengthening of corporate governance, as well as human resources and intangible assets such as its pipeline and intellectual property. The Group discloses information relating to non-financial value, including ESG, in integrated reports and environmental reports based on the IIRC's (International Integrated Reporting Council) framework.</p> <p>(<a href="http://www.eisai.com/ir/annual/index.html">http://www.eisai.com/ir/annual/index.html</a>)</p>

#### **IV. Basic philosophy and status of preparation of internal control systems**

##### **1. The system for assurance of appropriate business operations.**

The Company, in accordance with Article 416 of the Companies Act and Article 112 of the Ordinance for Enforcement of the Companies Act, stipulated “Rules Concerning Items Necessary for the Performance of Duties by the Audit Committee” and “Rules for Preparing Necessary Systems for Ensuring the Suitability in the Performance of Duties by Corporate Officers” at the Eisai Board of Directors meeting. Both rules are given below.

##### **1) Rules Concerning Items Necessary for the Performance of Duties by the Audit Committee**

(Objective)

Article 1 The purpose of these rules is to establish items necessary for the performance of duties by the Audit Committee of the Company, in accordance with Companies Act Article 416 Section 1 Part 1 Subparagraph b), as well as the Ordinance for Enforcement of the Companies Act Article 112 Section 1.

2 In these rules, “ENW” means a group of corporate entities consisting of the Company and its subsidiaries and affiliates, and “ENW Entity” means each entity that consists ENW.

(Items regarding the directors and employees of the Company who assist in the duties of the Audit Committee of the Company)

Article 2 The Company shall establish a Management Audit Department to assist in the duties of the Audit Committee of the Company. The directors of the Company shall not be assigned to assist in the duties of the Audit Committee of the Company.

2 The director and staff of the Management Audit Department shall follow employment and work regulations for items not established by these rules.

(Items regarding the independence of the employees in the preceding article from the Corporate officers of the Company and items regarding ensuring the effectiveness of the instructions of the Audit Committee of the Company to such employees)

Article 3 The Management Audit Department shall be organized independent of the Corporate Officers of the Company.

2 The director and staff of the Management Audit Department shall

perform their duties under the direction of the Audit Committee and Audit Committee Members of the Company.

- 3 The director and staff of the Management Audit Department shall be appointed, reassigned and disciplined by the Representative Corporate Officer and CEO of the Company with the consent of the Audit Committee of the Company.
- 4 The decision on personnel evaluation of the director and staff of the Management Audit Department will be conducted by the Audit Committee of the Company.

(The system for officers and employees of ENW Entities to report to the Audit Committee)

Article 4 The Corporate Officers of the Company shall report monthly to the Audit Committee of the Company regarding the following items related to their assignments and organization under their supervision, control or management, including whether or not such relevant items exist, and shall report immediately highly important matters of the items such as incidents that cause or may cause ENW significant damage, or that violate or may violate laws or the Articles of Incorporation to the Audit Committee.

- (1) Disasters and accidents related to operations;
- (2) The fact that operations have been stopped for a half day or longer;
- (3) The fact that a lawsuit has been brought, and its status;
- (4) Cases that violate Compliance policies (including facts subject to investigation);
- (5) Requests for cooperation in an investigation, investigation, summons, visits (excluding regular investigations), warnings, guidance, orders, recommendations, suspension of operation, or other measure taken by public officials;
- (6) Infringement or the danger of infringement of assets or rights by a third party;
- (7) Bankruptcy, the danger of bankruptcy, or termination of a contract, by a major customer;
- (8) Other matters or information that may cause ENW serious damage or have significant effect on the Company
- (9) The fact that ENW executives and employees making to the Audit Committee or Corporate Officer of the Company or contact the compliance counter under Article 4, from Paragraph 2 to Paragraph

6 receive disadvantageous treatment on the grounds of having made such report or contact; and

- (10) Other matters to be reported as stipulated by the Audit Committee of the Company.
- 2 If the officers and employees of the ENW Entities become aware of any item provided in each item of Clause 1 of this Article (except for (4)), they shall immediately report to the Corporate Officer of the Company who supervises, controls or manages such item and contact the compliance counter when they become aware of an item in Clause 1 (4) of this Article.
- 3 The Corporate Officer who supervises the promotion of ENW's compliance shall immediately make a report to the Audit Committee of the Company in the case of highly important matters, out of the matters which are reported to the compliance counter, such as incidents that cause or may cause ENW significant damage, or that violate or may violate laws or the Articles of Incorporation.
- 4 The Auditors or the Audit Committee of the ENW Entities in Japan, the People's Republic of China, Korea and Taiwan, except for the Company, shall periodically report information regarding internal audits, compliance and risk management, etc. in such ENW Entity to the Audit Committee of the Company.
- 5 The officers and employees of the ENW Entities shall promptly make a proper report when a report on items regarding the execution of business is requested by the Audit Committee of the Company.
- 6 The Corporate Officers and employees of the Company shall inform the Audit Committee of the Company of the schedules of important meetings.

(Systems for ensuring that the person making a report in the preceding Article does not receive disadvantageous treatment on the grounds of having made such report)

Article 5 The Representative Corporate Officer and CEO of the Company shall prepare and operate a system in order to ensure that the officers and employees of the ENW Entities who make a report to the Audit Committee or Corporate Officer of the Company or contact the compliance counter under the preceding Article do not receive disadvantageous treatment on the grounds of having made such report or contact.

(Items regarding policies for the processing of expenses and obligations that arise with respect to the execution of duties of the Audit Committee Members of the Company)

Article 6 The Company shall process such expenses or obligations for the execution of duties of the Audit Committee Members of the Company which are recognized as necessary by the Audit Committee of the Company under the Companies Act Article 404 Section 4.

(Other systems for ensuring the effective performance of audits of the Audit Committee of the Company)

Article 7 The Representative Corporate Officer and CEO of the Company shall prepare a system between ENW companies under which the Audit Committee of the Company enables the investigation, etc., of the accounting and operations of ENW companies.

2 Departments and officers in charge of audits, including the internal audits of ENW companies, shall share necessary information regarding audit activities with the Audit Committee, Audit Committee members, and the Management Audit Department of the Company through regular meetings, etc., in order to operate an efficient and suitable auditing system.

3 The Company's accounting auditor shall report to the Audit Committee regarding audits by the accounting auditor, as well as other investigations, on a regular basis or as requested by the Audit Committee.

(Familiarization with these rules)

Article 8 The Representative Corporate Officer and CEO of the Company shall take measures to familiarize the officers and employees of the ENW Entities with the content of these rules.

(Revisions)

Article 9 These rules can be revised through resolution by the Board of Directors.

\* ENW (Eisai Network Companies) refers to the corporate group comprised of Eisai Co., Ltd., and its consolidated subsidiaries and affiliates.



2) Rules for Preparing Necessary Systems for Ensuring the Suitability in the Performance of Duties by Corporate Officers

(Objective)

Article 1 The purpose of these rules is to establish items necessary for establishment and operation of a system for ensuring that execution of duties at ENW by Corporate Officers of the Company is in accordance with laws and the Articles of Incorporation, and to establish other systems necessary to maintain the suitability of operations, in accordance with the Companies Act Article 416 Section 1 Part 1 Subparagraph e), as well as the Ordinance for Enforcement of the Companies Act Article 112 Section 2.

2 In these rules, “ENW” means a group of corporate entities, consisting of the Company and the subsidiaries and affiliates of the Company. “ENW Entity” means each entity that consists ENW. “Corporate Officer in Charge of ENW Entities” means a Corporate Officer who has been appointed by the Representative Corporate Officer and CEO of the Company to oversee, supervise and manage each ENW Entity other than the Company. “Executive officer of ENW Entity” means Directors of ENW Entities other than the Company, Corporate Officers of ENW Entities

(Authority)

Article 2 The Board of Directors of the Company receives reports, regarding establishment and operation of the systems set forth in these rules, from the Corporate Officers or the Audit Committee of the Company in order to supervise the performance of duties of the Corporate Officers pursuant to these rules.

2 The Representative Corporate Officer and CEO of the Company shall assign the particular duties set forth in these rules to a Corporate Officer of the Company who will be responsible.

3 The Corporate Officer of the Company shall perform such particular duties that have been assigned to him/her in compliance with these rules and provide reports, regarding establishment and operation of

the systems set forth in these rules, to the Board of Directors and the Audit Committee of the Company.

(The system for storage and management of information related to the performance of duties of Corporate Officers)

Article 3 The Representative Corporate Officer and CEO of the Company shall appoint a Corporate Officer, from among the Corporate Officers of the Company, to be in charge, on a company-wide basis, of storage and management of information related to the performance of duties of Corporate Officers of the Company, and shall make the Corporate Officer establish rules on storage and management of documents, etc.

2 The Corporate Officer of the Company, who has been appointed pursuant to the previous section, shall establish and operate the storage and management rules for prepared documents, etc., and provide such rules to the Board of Directors and the Audit Committee of the Company.

(The rules and other systems regarding management of the risks of loss in ENW)

Article 4 The Corporate Officers of the Company shall be responsible for managing risk of loss in ENW in his or her area of assignment. A Corporate Officer in Charge of ENW Entities shall establish and operate a management system of risk of loss in ENW depending on the type, size, significance and other aspects of businesses of ENW Entities which he/she has been assigned to oversee, supervise and manage.

2 With respect to management of risks of loss that may possibly result in significant loss to ENW, the Representative Corporate Officer and CEO of the Company shall appoint a Corporate Officer, from among the Corporate Officers of the Company, for each area of risk of loss (financial, legal, environmental, disaster, etc.), and such appointed Corporate Officer shall establish and operate rules, etc. regarding the risk.

- 3 The Corporate Officers, who have been assigned to be in charge of promoting establishment and operation of an internal control system stipulated in Article 6, shall establish and promote the operation of a system for the Corporate Officers and employees of the Company to self-evaluate risks related to their assigned duties.

(The system for ensuring that the duties of Directors, Corporate Officers and employees of ENW are conducted efficiently)

Article 5 The Board of Directors of the Company shall delegate to Corporate Officers of the Company decision-making for the performance of the Directors' duties, excluding those matters to be resolved by the Board of Directors pursuant to the laws, the Articles of Incorporation and the Rules of the Board of Directors.

- 2 The Board of Directors of the Company shall appropriately establish division of duties and mutual relationships among the Corporate Officers of the Company.
- 3 The Representative Corporate Officer and CEO of the Company shall establish decision-making procedures for important matters at ENW and coordinate a system under which duties are conducted appropriately and efficiently.
- 4 With respect to matters other than those set forth in the previous section, the Corporate Officers of the Company shall establish decision-making procedures for their assigned duties and establish a system so that such duties are conducted appropriately and efficiently.
- 5 The Corporate Officer, who has been assigned to be in charge of promoting establishment and operation of the internal control system set forth in Article 6, shall monitor the establishment and operation of the systems pursuant to the previous two sections. The Corporate Officer, who has been assigned to oversee the execution of internal audit, shall audit the establishment and operation of such systems.

(The system for ensuring that performance of duties by Executive officer of ENW Entity and employees of ENW Entities is in accordance with laws and Articles of Incorporation)

Article 6 The Representative Corporate Officer and CEO of the Company shall appoint a Corporate Officer, from among the Corporate Officers of the Company, to be in charge of promoting compliance, including the system for ensuring that the execution of duties by Executive officer of ENW Entity and employees of ENW Entities is in accordance with laws and Articles of Incorporation, and shall establish a department, etc., to support such Corporate Officer in the performance of his or her duties.

2 The Corporate Officer, who has been assigned to be in charge of promoting compliance, shall establish a Compliance Handbook and a business behavior charter applicable to ENW, clarify norms and behavioral standards so that Executive officer of ENW Entity and employees of ENW Entities take actions in compliance with laws and Articles of Incorporation, and promote compliance by taking necessary measures such as training of Executive officer of ENW Entity and employees of ENW Entities

3 The Corporate Officer, who has been assigned to be in charge of promoting compliance, shall establish and operate a compliance counter as a point of contact for consulting about compliance both inside and outside the Company to strive for the prevention and early resolution of risks related to compliance. With respect to ENW Entities other than the Company, the Corporate Officer, who has been assigned to be in charge of promoting compliance shall cooperate and perform above with each Corporate Officer in Charge of ENW Entities, each Officer in charge of compliance at each ENW Entity and the department in charge of compliance.

4 The Corporate Officer, who has been assigned to be in charge of promoting compliance, shall demonstrate a policy of opposing anti-social forces in the ENW business behavior charter, and shall take necessary measures so that Executive officer of ENW Entity and employees of ENW Entities strictly observe such

- policy and use their best efforts on a daily basis in their conduct.
- 5 The Representative Corporate Officer and CEO of the Company shall appoint Corporate Officers, from among the Corporate Officers of the Company, to be in charge of promoting establishment of an internal control system and to be in charge of executing internal audits, respectively, and shall establish a department, etc., to support such Corporate Officers in the performance of his or her duties.
- 6 The Corporate Officers, who have been assigned to be in charge of promoting establishment of an internal control system, shall establish policies regarding internal controls applicable to ENW, and shall have Corporate Officers and employees of the Company develop a deeper understanding for internal controls by taking necessary measures such as training, and shall promote the establishment of an internal control system. With respect to ENW Entities other than the Company, the Corporate Officers, who have been assigned to be in charge of promoting establishment of an internal control system shall cooperate and perform above with each Corporate Officer in Charge of ENW Entities, each Officer in charge of internal control at each ENW Entity and the department in charge of internal control.
- 7 The Corporate Officers, who have been assigned to be in charge of executing internal audits, shall establish rules for internal audits applicable to ENW, devise a plan for internal audits, and execute appropriate and efficient internal audits. With respect to ENW Entities other than the Company, the Corporate Officers, who have been assigned to be in charge of executing internal audits, shall have each Corporate Officer in Charge of ENW Entities, each Officer in charge of internal audit at each ENW Entity and the department in charge of internal audit to perform the audit of each ENW Entities and receive reports.
- 8 With respect to professional fields, the Representative Corporate Officer and CEO of the Company shall appoint a Corporate Officer, from among the Corporate Officers of the Company, to be

in charge, as necessary, of ensuring compliance with laws and the Articles of Incorporation in such field, and shall establish a department, etc., to support such Corporate Officer in the performance of his or her duties.

(The system for reporting to the Company about matters related to execution of duties of Officers and employees of ENW Entities other than the Company)

Article 7 The Corporate Officer in Charge of ENW Entities shall establish a system under which the Company receives reports from ENW Entities about managerial important matters and matters set forth in Articles 4, 5 and 6 of these rules depending on the type, size, significance and other aspects of businesses of ENW Entities, with respect for the autonomy and the independency of ENW Entities which the Corporate Officer has been assigned to oversee, supervise and manage.

2 The Corporate Officer in Charge of ENW Entities shall report important matters out of the report received from ENW Entities to the Board of Director and the Audit Committee of the Company.

(Familiarization with these Rules)

Article 8 The Representative Corporate Officer and CEO of the Company shall take measures to familiarize the Officers and employees of ENW Entities with the content of these rules.

(Revisions)

Article 9 These rules shall be revised through resolution by the Board of Directors.

### 3) Status of Establishment and Operation of Systems for Ensuring Proper Business Operations

Status of Establishment and Operation of both rules are given below.

#### 1. Status of Operation of the Rules Concerning Items Necessary for the Performance of Duties by the Audit Committee (hereinafter the “Rules”)

##### a) Items regarding the directors and employees of the Company who assist in the duties of the Audit Committee of the Company

The Company has established the Management Audit Department as a department with responsibilities to aid the duties of the Audit Committee. Staff of the Management Audit Department perform their duties under the direction of the Audit Committee and according to the rules established by the Audit Committee and the audit plan for the individual fiscal year. Their service is governed by the provisions of work regulations. Note that there is no director in place to aid the duties of the Audit Committee.

##### b) Items regarding the independence of the Management Audit Department from the corporate officers of the Company and items regarding ensuring the effectiveness of the instructions of the Audit Committee of the Company to the Management Audit Department

The director and staff of the Management Audit Department have performed their duties under the direction and orders of the Audit Committee, in accordance with the Rules. Evaluations of the director and staff of the Management Audit Department have all been conducted by the Audit Committee.

Management Audit Department staff have been appointed and reassigned with the consent of the Audit Committee.

##### c) System for officers and employees of ENW companies to report to the Audit Committee All corporate officers report monthly to the Audit Committee regarding items stipulated in the Rules.

Important matters have been reported as needed. In addition, important internal meetings have been established in the audit plan of the Audit Committee to monitor the status of discussions and resolutions.

A system is established to ensure highly important compliance-related matters reported to the Chief Compliance Officer and/or the Compliance Counter are immediately reported to the Audit Committee.

In addition, the Audit Committee obtains information related to the internal control of ENW from their corporate auditors and the board of corporate auditors.

##### d) Systems for ensuring that the person making a report in the preceding

paragraph does not receive disadvantageous treatment on the grounds of having made such report

The Compliance Handbook requires ENW executives and employees to report any concerns related to compliance, and prohibits retaliation against the person making the report. The Compliance Counter has established and implements operational rules, including the protection of persons making a report. Retaliatory and other similar acts toward persons making a report are also strictly prohibited in work regulations. The Audit Committee carries out monthly confirmations of the state of the Compliance Counter, including the presence of prejudicial treatment.

- e) Items regarding policies for the processing of expenses and obligations that arise with respect to the execution of duties of Audit Committee members

All expenses for the execution of duties of the Audit Committee are processed without any restrictions being placed by operational divisions.

- f) Other systems for ensuring the effective performance of audits of the Audit Committee

The Audit Committee obtains audit plans and audit results from the Accounting Auditor and the internal audit departments to ensure audits by the Audit Committee are effectively performed. Through these audit activities, the Audit Committee also shares necessary information with the Accounting Auditor, internal audit departments, and other related parties.

## 2. Status of Operation of the Rules for Preparing Necessary Systems for Ensuring the Suitability in the Performance of Duties by Corporate Officers

- a) System for storage and management of information related to the performance of duties of corporate officers

A corporate officer in charge of the storage and management of information has been appointed. Said corporate officer has taken steps to ensure confidential information is handled correctly. The ENW Confidential Information Security Policy and other rules for the storage and management of information related to the performance of duties by corporate officers have been prepared and workshops are held on an ongoing basis. The status of these measures is reported to the Board of Directors and Audit Committee.

- b) Rules and other systems regarding management of the risks of loss in ENW

The corporate officer responsible for internal control has introduced a system



called control selfassessment (CSA), in which risks of loss in ENW are managed and self-assessed, thereby supporting risk management at all organizational levels including corporate officers, and the establishment and evaluation of internal control. Corporate officers use CSA and other means to identify important risks of loss (important risks) in duties to which they have been assigned (in Japan and abroad) and important risks at subsidiaries (in Japan and abroad). An appropriate system of management has thus been prepared and is under operation.

In particular, with regard to the risks of loss related to a number of departments that may result in significant loss to the Company, the Chief Financial Officer (finance), General Counsel (legal affairs), and corporate officer assigned to general affairs, environmental and safety affairs (environment, disasters) bear the responsibility. Accordingly, they have created necessary rules, including rules concerning consolidated accounting, rules for the prevention of insider trading, and a business continuity plan. By posting them on the Company's internal website and holding workshops, they take countermeasures, operate the rules, and ensure that the Company's employees are thoroughly familiar with these rules.

In addition, the Risk Management Committee established by the corporate officer responsible for internal control centrally manages the status of risks of loss by ENW and the response to those risks, and promotes the establishment and maintenance of internal control.

c) System for ensuring that the duties of ENW are conducted efficiently

The Company's Board of Directors delegates a significant amount of the decision-making related to the execution of business to corporate officers. At the same time, the Board appropriately establishes the division of duties and mutual relationships between corporate officers. The Chief Talent Officer has established and thoroughly implemented decision-making procedures for important matters at ENW. These procedures define the drafter, parties to be consulted, person responsible for implementation, person responsible for the outcome, etc., related to important matters at ENW to establish a system that enables such decision-making to be conducted efficiently. The procedures are reviewed and revised each year. Further, the corporate officers establish decision-making procedures for their assigned duties so that such duties are conducted efficiently. The status of important decision-making by corporate officers is reported to the Board of Directors as needed.

d) System for ensuring that performance of duties by directors of ENW other than the Company and corporate officers and employees of ENW

companies is in accordance with laws and Articles of Incorporation

The Chief Compliance Officer, who is also a corporate officer responsible for internal control, promotes compliance and the establishment of internal control and presides over internal audits.

Compliance is promoted by establishing and putting into practice a compliance program.

With regard to internal control, all corporate officers establish, develop, and operate internal controls within the scope of their responsibilities in accordance with the Internal Control Policy established by the corporate officer responsible for internal control.

Aiming to support the internal controls established, developed, and operated by corporate officers, the Corporate Compliance and Risk Management Department works to (1) reduce everyday operational risks by assessing important company-wide risks through interviews with all corporate officers and (2) implementing CSA for all ENW department managers. For CSA, Eisai has established a regional management organization or appointed a regional manager in the Japan, Americas, Europe, China, and Asia regions to globally promote internal control through support for risk management.

Internal audits are conducted by the Corporate Internal Audit Department and the internal audit departments of each region from an objective point of view and independently from the audited organization. The results of all internal audits are periodically reported to the Board of Directors, Executive Board, and Audit Committee.

A corporate officer who is confirmed to be in compliance with laws, regulations and the Articles of Incorporation in regards to specialized areas specific to a pharmaceutical company is appropriately appointed.

e) System for reporting to the Company about matters related to execution of duties of officers and employees of ENW companies other than the

Company

The Company determines the corporate officer to be assigned to oversee, supervise, or manage ENW companies through the division of duties. The corporate officer assigned to be in charge of ENW companies has established a system for receiving reports from ENW, through decision-making procedures provided for each ENW company, attendance at important meetings, periodic reports, etc. The corporate officer in charge reports the status of ENW companies to the Board of Directors as needed.

## **2. The basic philosophy and status of preparation for elimination of any form of organized criminal activity**

The Eisai Group established the Charter of Business Conduct to carry out their compliance activities. We stand firm against any form of organized criminal activity as provided in Article 9 of the ENW Charter of Business Conduct.

All directors, officers, and employees of ENW shall at all times and in all daily activities act strictly in accordance with the Charter, and work towards achieving the corporate goals that the Charter defines. Specifically, we educate our directors, officers, and employees on the following points regarding groups engaged in organized criminal activity, such as corporate racketeers and organized crime groups. ENW should never provide any kind of benefit or advantage to such groups.

- Under the Japanese Companies Act, it is prohibited to provide benefit or any kind of benefit or advantage to such groups.
- ENW should not associate with or enter into any kind of relationship with any form of advantage to any specific shareholders. Depending on the circumstances, there are various forms of requirements for benefit or advantage. The request for such benefit or advantage is in itself prohibited under the law.
- To entertain any form of request from any organized crime group is a violation of the Charter and any director, officer, or employee found to be entertaining such requests may be charged with breach of trust.
- If any of the aforementioned situations come to the knowledge or attention of an officer or employee, it shall be reported promptly to the Compliance Counter (a tool designated to help employees seeking compliance advice and reporting).

The Company collects information about any form of organized criminal activity and establishes internal systems in cooperation with outside institutions.

\*ENW (Eisai Network Companies) refers to the corporate group comprised of Eisai Co., Ltd., and its consolidated subsidiaries and affiliates.

## V. Other (Update)

### 1. Adoption of takeover prevention: Yes

Supplementary explanation of the above

On August 2, 2017, the Board of Directors passed a resolution to continue the use of “Policy for Protection of the Company’s Corporate Value and Common Interests of Shareholders”.

### **Matters related to “Policy for Protection of the Company’s Corporate Value and Common Interests of Shareholders”**

#### 1. Background

The Policy for Protection of the Company’s Corporate Value and Common Interests of Shareholders (the “Policy”) was proposed by the Independent Committee of Outside Directors at a meeting of the Board of Directors held in February 2006, and was later implemented. Subsequently, the effective period and other contents were changed and updated at meetings of the Board of Directors held in August 2011 and April 2016. Further, since the Policy was implemented, the Independent Committee of Outside Directors, consisting solely of outside directors who are independent and neutral, and who constitute the majority of the Board of Directors, considers whether to maintain, revise, or abolish the Policy each year.

#### 2. Significance and Purpose of the Policy

The Policy establishes procedures, etc., for large-scale holding of the Company’s stock, for the purpose of protecting the Company’s corporate value and the common interests of shareholders generated by implementation of the various measures of the medium-term business plan, etc. The purpose is to ensure that the Independent Committee of Outside Directors has an opportunity to respond to the mandate of our shareholders to thoroughly examine the contents of large-scale purchases of the Company’s stock, by requesting information from the purchaser to judge whether the purchase would improve the Company’s corporate value and the common interests of the shareholders, or whether the purchase may damage them.

If the Independent Committee of Outside Directors judges that the proposal of the purchaser fulfills the procedures and criteria, etc., of the Policy, and will contribute to improvement of corporate value, stock acquisition rights will not be issued. On the other hand, if it is judged that the proposal does

not fulfill the procedures and criteria, etc., of the Policy, and will damage the Company's corporate value and the common interests of the shareholders, the Committee will propose issuance of stock acquisition rights.

### 3. Characteristics of the Policy

#### (1) Implementation and updating by the Board of Directors

As for procedures to implement and update the Policy, rather than putting it to a vote at the General Meeting of Shareholders, it has been judged that, from the perspective of improving the Company's corporate value and the common interests of the shareholders, it is appropriate for the directors, who have a mandate from the shareholders, to obtain sufficient information, including the opinions of experts, and carefully and responsibly consider the matter. Accordingly, the decision is made by the Board of Directors in accordance with a proposal from the Independent Committee of Outside Directors.

Seven of the 11 directors on the Company's Board of Directors are outside directors, with an outside director also serving as chair. All 7 of the Company's outside directors are independent from Company Management including a corporate manager, academic experts, and specialists in accounting and law, etc., with abundant experience and excellent records of achievement. Only 1 of the Company's 4 inside directors is concurrently a corporate officer. With this configuration of directors, we believe that the Company's Board of Directors is able to represent the interests of our shareholders and make objective and reasonable judgments regarding the Policy.

#### (2) Mechanism that makes it possible to reflect the will of all shareholders

Each director declares his or her stance on the Policy in the reference documents for the proposal for the selection of directors included with the Notice of Convocation of the Ordinary General Meeting of Shareholders. This enables a mechanism that makes it possible to reflect the will of all shareholders through the exercise of voting rights regarding proposals for the selection of candidate directors.

#### (3) Eliminates arbitrariness of the management team

If the Independent Committee of Outside Directors judges that the proposal of the purchaser will contribute to improvement of corporate value in accordance with the Policy, stock acquisition rights will not be issued. This

decision will not be deliberated upon again by the Board of Directors.

In this manner, non-issuance of stock acquisition rights related to the Policy is determined only through a resolution by the Independent Committee of Outside Directors, without the involvement of operational divisions, so it serves as a mechanism to truly eliminate arbitrariness of the management team.

(4) The effective period is for all intents and purposes 1 year

The intent of the Policy is to protect the corporate value and common interests of shareholders generated by implementation of the various measures of the medium-term business plan, etc., with an effective period of 5 years. A proposal to revise or abolish the contents of the Policy can be made to the Board of Directors at any time according to the judgment of the Independent Committee of Outside Directors.

In the operation of the Policy, the Independent Committee of Outside Directors considers whether to maintain, revise, or abolish the Policy each year, as indicated in the figure below, so for all intents and purposes, the effective period is 1 year.

#### 4. Deliberation by the Independent Committee of Outside Directors

Each year, the Independent Committee of Outside Directors considers whether to maintain, revise, or abolish the Policy. During that process, members of the committee consider the attributes of the pharmaceutical industry that will require long-term investment in research and development, then share information on such things as changes in the management environment around the Policy and the global circumstances and cases, etc., related to corporate acquisition, and make the decision to continue the Policy after deliberation such as the following.

- i. The presence of latent risks in acquisitions that have the danger of damaging the Company's corporate value and the common interests of shareholders cannot be denied, and it is both necessary and appropriate for the Board of Directors to make sufficient preparations to handle them.
- ii. Although legal stipulations regarding large-scale purchasing have been established in Japan's Financial Instruments and Exchange Act as well, compared to the legal systems involved in corporate acquisitions in each country of Europe and the U.S., it is recognized that it is still not enough to protect the Company's corporate value and the common interests of shareholders.

- iii. If we establish procedures, etc., for large-scale purchases of the Company's stock and disclose them, in the event that a purchaser appears, the Independent Committee of Outside Directors will be able to ensure enough time to thoroughly consider the contents of the purchaser's proposal.
- iv. The Policy establishes a mechanism that makes it possible to reflect the will of all shareholders through the exercise of voting rights regarding proposals for the selection of directors at General Meetings of Shareholders. Further, the mechanism has eliminated concerns about use as a way for members of the management team to protect themselves. Each year, the Independent Committee of Outside Directors, which is independent from operational divisions, considers whether to maintain, revise, or abolish it.

The entire text of this policy can be read at the following URL.

<http://www.eisai.com/company/ecgpolicy20160803.pdf>

## **2. Other items related to the corporate governance system**

### **1. About the Eisai articles of incorporation**

- 1) Number of directors, qualifications and restrictions, and requirements for resolutions for election and dismissal stipulated by the articles of incorporation

- (1) Number of directors (Article 20)

- The Company shall have no more than fifteen (15) directors

- (2) Requirements for resolutions for the election of directors (Article 21 Paragraph 2)

- Resolutions for the election of directors shall be approved by an affirmative vote of a majority of the voting rights held by shareholders present, where such shareholders present hold shares representing one-third (1/3) or more of the exercisable voting rights of shareholders.

- (3) Elimination of cumulative voting (Article 21 Paragraph 3)

- Cumulative voting shall not be used for a resolution to elect directors. Moreover, no stipulations of the articles of incorporation applicable to resolutions regarding qualifications and restrictions for directors, or for their dismissal, differ from the Companies Act.

- 2) Decision to allow resolution of general meeting of shareholders resolution items by the Board of Directors and stipulations in the

articles of incorporation to forbid resolution of Board of Directors resolution items by the general meeting of shareholders

(1) Exemption of directors and corporate officers from liability (Article 38 Paragraph 1)

Within the legally stipulated limitations, the Company may, by resolution of the Board of Directors, exempt directors and corporate officers (including former corporate officers) from liability for damages due to negligence of their duties, as per Article 426, Paragraph 1, of the Companies Act.

(2) Dividend (Article 40)

The Company shall determine the matters listed in each item of Article 459, Paragraph 1, of the Companies Act, including dividend, by the Board of Directors, without a resolution by a General Meeting of Shareholders, unless otherwise stipulated by law.

3) Modification of requirements for special resolutions of the general meeting of shareholders

(1) Special resolutions of the general meeting of shareholders (Article 17 Paragraph 2)

Resolutions stipulated in Article 309, Paragraph 2, of the Companies Act shall be adopted by an affirmative vote of two-thirds (2/3) of the voting rights held by shareholders present, where such shareholders present hold shares representing one-third (1/3) or more of the exercisable voting rights of the shareholders.

## 2. Outline of disclose systems

Our internal system for timely disclosure of Eisai information is as follows.

### 1. Financial Information

Every quarter, after the Chief Financial Officer has approved the financial statements on which the disclosure will be based, said statements are submitted to CEO and approved by the Board of Directors.

Accounting section      Chief Financial      Board of  
Finance section      → Officer      → CEO      → Directors

The financial information is disclosed via the following procedure. The Corporate Officer in charge of public relations prepares disclosure



documents based on financial information from the section(s) in charge of settling accounts as submitted through a committee set up for disclosures on the financial statements and, after the Chief Financial Officer has reviewed the documents, the documents are proposed to CEO, who then approves the disclosure following a Board of Directors resolution.

Committee set up for disclosure of financial statements → Corporate Officer in charge of public relations → CEO → Disclosure

**[Members of committee on disclosure of financial statements]**

- Chief Financial Officer
- Corporate Officer in charge of investor relations
- Corporate Officer in charge of public relations
- Corporate Officer in charge of general affairs
- Investor relations section
- Public relations section
- Corporate planning and strategy section
- Accounting section
- Financing section
- General affairs section
- Product creation section

**2. Submission of securities reports, etc.**

Securities reports, etc. are disclosed via the following procedure. After a review of a proposal by the accounting and finance sections at a meeting of related sections, the Chief Financial Officer reviews the proposal and the report, etc. is approved by CEO.

Meeting of related sections on securities report ⇔ Accounting section Finance section → Chief Financial Officer → CEO → Submission

**[Members attending meetings for related sections on securities reports, etc.]**

- Corporate Officer in charge of investor relations
- Corporate Officer in charge of public relations
- Corporate Officer in charge of legal affairs
- Corporate Officer in charge of general affairs

- Board of Directors' Secretariat
- Investor relations section
- Public relations section
- Legal section
- Accounting section
- Financing section
- General affairs section

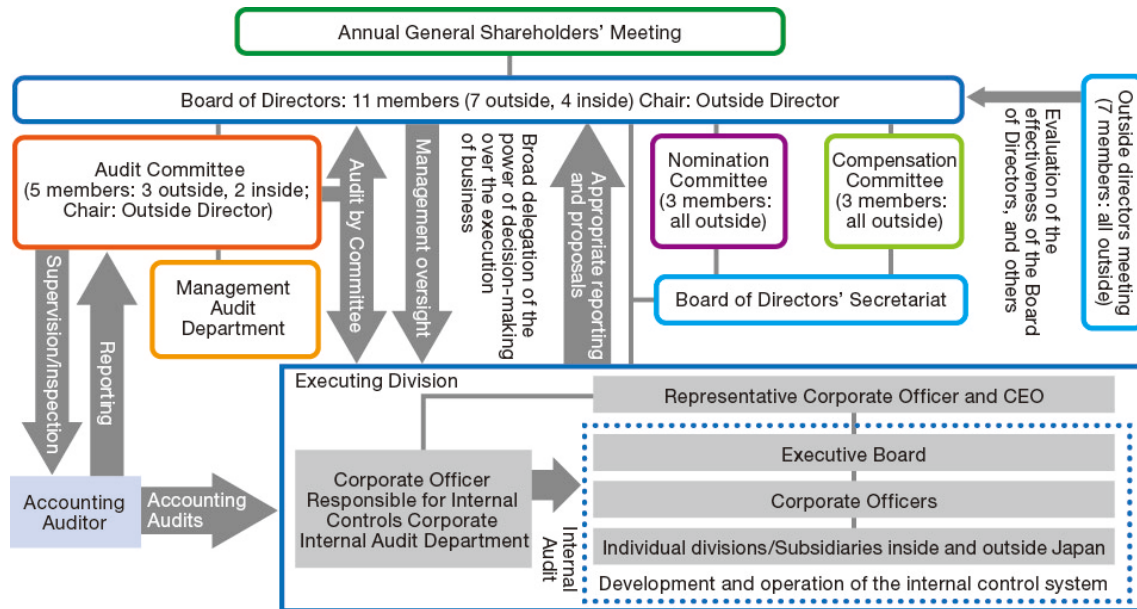
### 3. Other Information (other than in “1.” and “2.” above)

All other information is disclosed via the following procedure. The public relations section gathers information for potential disclosure and reports it to the Corporate Officer in charge of public relations. In addition, when internal sections (including subsidiaries) become aware of or retain information for disclosure, they notify it to the public relations section. The Corporate Officer in charge of public relations reviews whether disclosures of any information received is appropriate, including regarding information from other meetings such as the Executive Committee, and sets a date and procedure to be discussed with related Corporate Officers. The public relations section is responsible for the disclosures, and the Corporate Officer in charge of public relations manages the timely and appropriate disclosure of information in accordance with regulations and the guidelines of the Tokyo Stock Exchange.

In addition, in case of any information that may pertain to important facts, an information management supervisor will hold an Information Management Committee meeting and decide on how to manage internal information while working to prevent insider trading issues.

Sections with the information ⇔ Public Relations section → Corporate Officer in charge of public relations → CEO → Disclosure

## The Company's Corporate Governance System



## **Requirements for the Independence and Neutrality of Outside Directors**

(Revised on December 20, 2013)

1. An Outside Director must neither currently be nor in the past have been an Officer (see Note 1 below) or an employee of Eisai or any of its affiliated companies ("Eisai Group").
2. An Outside Director's economic independence and neutrality from Eisai Group and specified enterprises, etc., is ensured by satisfying the following requirements:
  - 1) None of the following shall be applicable to the Outside Director within the past five years:
    - a. Having been an Officer or employee of an enterprise, etc., of a Major Business Partner (see Note 2 below) of Eisai Group, or otherwise an Officer or employee of an enterprise, etc., conducted by a Major Business Partner of Eisai Group;
    - b. Regardless of the value of the transaction, having been an Officer or employee of an enterprise, etc., with whom Eisai conducts necessary transactions, Eisai's audit corporation, or any other enterprise, etc., that has a relationship of substantive interest with Eisai Group;
    - c. Having been an Officer or employee of a person or an enterprise, etc., who is a Major Shareholder (see Note 3 below) of Eisai or of an enterprise, etc., in which Eisai Group is a Major Shareholder;
    - d. Excluding Officer compensation from Eisai Group, having directly received a Large Amount (see Note 4 below) of money or other property as a provider of professional services, etc. (i.e., a consultant, a lawyer, an accountant, etc.);
    - e. Having received a Large Amount of money or other property from Eisai Group as a contribution or having been an Officer or employee of an entity, organization, etc., that has received such a contribution; or
    - f. Having been an Officer or employee of an enterprise, etc., which enterprise, etc., had an Officer, etc., who was at the same time an Officer, etc., of Eisai Group;
  - 2) Even if more than five years has passed, the Nomination Committee must evaluate (see Note 5 below) the relationship with the enterprise, etc., in each item of the preceding clause 2(1) and determine that independence and neutrality is ensured; and
  - 3) In addition, from the perspectives of independence and neutrality, there must not be any other reason that would impede the performance of the duties as an Outside Director.
3. An Outside Director must not be a close relative of, or have a similar relationship to (see Note 6 below), or otherwise derive such person's sole livelihood through a relationship with, any of the following persons:
  - 1) An Officer or Important Employee (see Note 7 below) of Eisai Group; or
  - 2) Based on the requirements of paragraph 2 of this Article 13 above, those as determined by the Nomination Committee whose independence and neutrality from Eisai Group or from specified enterprises, etc., are not ensured.
4. An Outside Director must not have reason for the threat arising of a significant conflict of interest in the performance of the duties as a Director, and the judgment of an Outside

Director must not be threatened to be affected by a relationship of interest.

5. The requirements for the independence and neutrality of Outside Directors provided in this Article continue to apply after the appointment as Director.

Note 1: “Officer” means Director, Corporate Officer, Statutory Auditor and other officers, etc.

Note 2: “Major Business Partner” means an enterprise, etc., for which 2% or more of its or the Eisai Group’s sales in any of the past five fiscal years have been sales, or compensation for work or transactions, for the Eisai Group.

Note 3: “Major Shareholder” means a person who, or an enterprise, etc., that, directly or indirectly holds the voting rights to 10% or more of the general voting rights in any of the past five fiscal years.

Note 4: “Large Amount” means, in any of the past five fiscal years: ¥10 million in the case of remuneration for professional services or compensation for work or transactions, ¥10 million in the case of contributions, or the greater of 2% of the total income or operating income of entities or organizations receiving contributions.

Note 5: “Evaluate” means the Nomination Committee’s evaluation regarding the Outside Director’s relationship with the relevant enterprise, etc., based on the following factors:

- 1) Shareholding or stock options ownership in the relevant enterprise, etc.;
- 2) Post-retirement remuneration, company pension, etc., from the relevant enterprise, etc.; and
- 3) Human interaction between the Eisai Group and the relevant enterprise, etc.

Note 6: “A close relative of, or have a similar relationship to” means a relative within two degrees of kinship or having a human relationship that can be reasonably recognized as that which would impede the execution of the individual’s duties as an Outside Director, such as a personally interested individual.

Note 7: “An Important Employee” means an employee with a title of at least the head of a section.