

Final Update: June 20, 2019

Eisai Co., Ltd.

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<https://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:
  - (i) Satisfying unmet medical needs, ensuring stable supply of high quality products, and providing useful information of safety and efficacy.

- (ii) Timely disclosure of corporate management information, enhancement of corporate value, and proactive return to shareholders.
- (iii) 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

<https://www.eisai.co.jp/company/governance/index.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]

**(Update)**

[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 by using estimates of net present value (NPV), etc. to carefully investigate whether or not the benefits and risks of shareholding are commensurate with the cost of equity, the effect on increasing corporate value and economic rationality are verified. This verification is carried out every year, and in principle, the Company will seek to reduce the amount of shareholding from a corporate governance perspective.

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.

In principle, should any company that holds the Company's shares as strategic shareholding (cross-shareholders) signal an intent to sell those shares, etc., the Company shall not interfere with the sale, etc.

In FY2018, the Company sold strategically held shares in 7 stocks (selling all of its shares in the 7 stocks).

#### [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.

<https://www.eisai.co.jp/company/governance/cgregulations/boardmtg/index.html>

[Principle 2-6 Fulfill Function as Corporate Pension Asset Owner]

Given the importance of human capital, the “Eisai Corporate Pension Fund (“the Fund”)” adopted the Corporate Stewardship Code in February 2018 and commenced ESG investment as part of corporate governance reform. Going forward, the Fund will strive to maximize pension returns, and improve the Fund by enhancing human capital, etc. Currently, the Fund does not have sufficient resources for distribution, and there is a framework for the finance department to provide support to the Fund. In the future, the Company will work to distribute sufficient resources including the deployment of staff who have the requisite experience and qualities, and striving to develop such staff, etc. in order for the Fund to be able to fulfill its expected function as asset owner.

Major decision making on asset management is decided and confirmed by a representative committee based on deliberation of an asset management committee. While the finance department provides support as a member of the asset management committee, the composition of the representative committee has the talent management department as its core member, and since the finance department has no authority to make decisions, the Company believes that this system is able to appropriately manage conflict of interest.

[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.

<https://www.eisai.co.jp/company/philosophy/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.

<https://www.eisai.co.jp/company/governance/cgregulations/cgguideline/index.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 107th 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 107th Ordinary General Meeting of Shareholders (the Business Report ).

The election and dismissal of Corporate Officers is an agenda item to be resolved by the Board of Directors. Regarding the election of Corporate Officers, 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.



<https://www.eisai.co.jp/company/governance/cgregulations/boardmtg/index.html>

[Principle 4-8 Effective Use of Independent Directors]

(1) Outside Directors Meeting

The Company holds Outside Directors Meetings (with only outside directors in attendance) on a regular basis. These meetings provide outside directors with valuable opportunities to interact, communicate at a deeper level, and make discussions at gatherings of the Board of Directors, etc., more dynamic. At Outside Directors Meetings, participants freely discuss corporate governance- and business-related matters. If necessary, the Chair of the Board of Directors submits notifications, reports, and requests to the Board of Directors and operational divisions.

The Outside Directors Meeting was held 8 times in FY2018, with 100% attendance by the outside directors, and the members worked on the following themes.

(a) Information sharing and discussion regarding the succession plan

1. View Regarding Selection of the Chief Executive Officer (CEO)

The Company positions the selection of the CEO as one of the most important decisions to be made by the Board of Directors. The CEO's duty is to exhibit strong leadership while also nurturing the next CEO. The Company believes that having outside directors participate in this process with such recognition and having them offer advice, etc., increases the objectivity of the CEO's proposal of successor candidates. It rationally ensures the fairness of the CEO selection process as the Board of Directors.

2. Procedures Regarding CEO Selection

Even after becoming a company with a nomination committee, etc., system in 2004, discussions had been repeated under a consistently optimal corporate governance system regarding the CEO succession process. In FY2016, with consideration given to the previous background, discussions were held at an Outside Directors Meeting on ideal information sharing by the Board of Directors in relation to a succession plan formulated by the CEO and preparations for unexpected situations, and succession procedures, etc., were set out as rules. The outline of the procedures are as follows.

(i) Sharing of Information on the Succession Plan

- Information on the succession plan proposed by the CEO is shared 2 times a year at the Outside Directors Meeting.
- The CEO and inside directors also participate in this Outside Directors Meeting, and information on the succession plan is shared among all directors.

(ii) Discussion on the Succession Plan

- The criteria for evaluating candidates are expected to change in accordance with the business environment, etc. For this reason, criteria will be set appropriately when the CEO proposes candidates.
- The CEO will evaluate candidates on the criteria that has been set, and present evaluation results in the succession plan.
- Outside directors provide advice on the succession plan. The CEO considers the advice provided by outside directors, and reflects it in the succession plan as appropriate.

(iii) Preparations for Unexpected Situations

Circumstances, such as unforeseen accidents, that necessitate the sudden selection of a new CEO by the Board of Directors are also possible. Contingency plans for such unexpected situations are also confirmed when considering the aforementioned succession plan.

(b) Implementing the corporate governance evaluation

The effectiveness of the Board of Directors' management oversight function is evaluated each year at the Outside Directors Meeting. If any issues related to the operation of the Board of Directors, etc., are identified, a request and proposal for improvement is submitted to the Board of Directors and operational divisions. In the corporate governance evaluation, the status of the activities of the Board of Directors, etc., is inspected and evaluated based on the corporate governance evaluation carried out in the previous fiscal year, issues are identified for the next fiscal year, and improvement measures are shown, thereby driving the Plan-Do-Check-Act (PDCA) cycle.

Beginning in FY2017, we have had an outside organization review our processes and results once every 3 years to ensure the appropriateness and suitability of continued, regular corporate governance evaluations.

\* The next review by an outside organization will be carried out in FY2020.

(c) Dialogue with outside directors and investors

Up to this point as well, the Company has conducted meetings between institutional investors and outside directors in Japan and overseas.

Outside directors visited multiple institutional investors and carried out dialogues with them between January and February 2018. A Meeting for Exchange of Opinions between Institutional Investors and Outside Directors was held in September 2018. All 7 outside directors attended to carry out dialogue with about 50 institutional investors. Exchanges of opinion were carried out from various perspectives in regard to the Company's efforts related to corporate governance.

Furthermore, in response to requests from institutional investors, meetings for exchanging opinions have been carried out with the participation of several outside directors. The knowledge gained through such dialogue is used in the discussions held by the Board of Directors, etc. The Outside Directors Meeting has confirmed that outside directors will continue to carry out dialogue with investors in order to deepen mutual understanding of corporate governance efforts aimed at increasing corporate value.

(2) Chair of the Board of Directors (outside director)

The Company selects the Chair of the Board of Directors, the central figure in Board of Directors operation, from the outside directors. In order to enable the Board of Directors to make fair and appropriate judgments on behalf of shareholders and other stakeholders, the Chair of the Board of Directors ensures that the selection of agenda items and the establishment of annual themes are scrutinized, that sufficient time is also spent to confirm the content of proposals presented to the Board of Directors, and that the Board of Directors Secretariat is instructed to explain the content of the proposals to each director in advance of meetings. Meetings of the Board of Directors are conducted in ways that enable directors, with their diverse backgrounds, to express their opinions on the basis of their varied knowledge.

As the director who leads the outside directors, the Chair of the Board of Directors serves as chair of the Outside Directors Meeting.

[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”). When electing outside directors, the Nomination Committee places the utmost importance on ensuring the independence and neutrality of outside directors. The work of selecting candidates for outside directorships begins with creating a list of candidates. In addition to directors who are currently serving, the Nomination Committee asks the Company’s former outside directors, who have extensive personal networks, to create a list of candidates, and updates the candidate list every year. The Nomination Committee screens the candidate lists for independence, competition, and other related matters, narrows down the candidates in accordance with the requirements for new candidates for the relevant fiscal year, then determines the candidates for whom requests for appointment will be submitted. After the decision is made, the Chair of the Nomination Committee promptly meets with the candidates, and submits requests for appointment to the Company’s directors. The Company’s Nomination Committee consists of only 3 members, all of whom are outside directors. Utilizing the process described above, they select director candidates with fairness and transparency. In addition, the Nomination Committee strictly applies the “Requirements for the Independence and Neutrality of Outside Directors”, stipulated by the Committee, for the selection of candidates for outside directors. Every year, the Nomination Committee examines each outside director candidate, whether for new election or re-election, to determine whether he or she meets the Requirements and to assess his or her independence and neutrality.

The Company inspects the Requirements each year, and revises them as necessary, to respond to changes in laws and regulations as well as standards of securities exchanges, etc., and also from the perspective of improving corporate governance.

[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 Persons with

experience in corporate management, finance and accounting experts, legal experts and academic experts, etc. Further, 1 of those 7 Outside Directors is a non-Japanese citizen, and 1 is a woman. The Company has disclosed the diversity of Outside Director Candidates on page 9 in the Reference Documents of Notice of Convocation of the 107th Ordinary General Meeting of Shareholders.

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.

<https://www.eisai.co.jp/company/governance/cgregulations/cgguideline/index.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 107th 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]

The company evaluates the effectiveness of the Board of Directors' management oversight function each year at the Outside Directors Meeting. If any issues related to the operation of the Board of Directors, etc., are identified, a request and proposal for improvement are submitted to the Board of Directors and operational divisions. In the corporate governance evaluation, the status of the activities of the Board of Directors, etc., is inspected and evaluated based on the corporate governance evaluation carried out in the previous fiscal year, issues are identified for the next fiscal year, and improvement measures are presented, thereby implementing the Plan-Do-Check-Act (PDCA) cycle. Beginning in FY2017, we have an outside organization review our processes and results once every 3 years to ensure the appropriateness and suitability of corporate governance evaluations on a continued and periodical basis.

On April 26, 2019, the Board of Directors deliberated on the results of the Board of Directors evaluation, which was compiled in the Outside Directors Meeting, the Self-review of the Corporate Governance Guidelines and the Self-review of Internal Control Regulations, and approved the Results of Evaluation of Corporate Governance in FY2018.

#### 1. Board of Directors evaluation

(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.

#### 2. 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.

#### 3. 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 operated in accordance with both sets of rules.

#### 4. Mechanism Utilizing Outside Organizations for the Improvement and Guarantee of the Board of Directors Evaluation

(1) Aiming to "guarantee the suitability of the Board of Directors evaluation," in FY2017, a mechanism to improve and guarantee the Board of Directors evaluation through an outside organization was adopted. Every 3 years, an outside organization will investigate, evaluate, propose improvements, and inspect evaluation results, etc., of the evaluation process.

(2) After analyzing the Company's past evaluation methods, evaluation decision process,

evaluations of each director, and final evaluation, etc., the outside organization points out issues and makes recommendations regarding the systems and their operation.

(3) The Outside Directors Meeting and Board of Directors strive to improve the systems and their operation in accordance with the findings and recommendations of the outside organization.

(4) The outside organization inspects the evaluation process, evaluation results, and other aspects of the Board of Directors evaluation compiled by the Outside Directors Meeting, and submits a report to the Board of Directors.

(5) The Board of Directors determines the corporate governance evaluation for the applicable fiscal year based on the evaluation compiled by the Outside Directors Meeting and the report from the outside organization.

\* The next review by an outside organization will be carried out in FY2020.

## 5. FY2018 Corporate Governance Evaluation Results

With regard to the Corporate Governance Guidelines and Internal Control Regulations, no evidence was found of any operation, etc., that deviates from the rules. It was confirmed that the directors and corporate officers, etc., are executing their duties appropriately to improve corporate governance.

In regard to the Board of Directors evaluation, the state of response in FY2018 to the issues identified in the FY2017 Board of Directors evaluation as issues for FY2018 was checked and evaluated, and the issues, etc., for the next fiscal year were recognized as follows.

### (1) The Role, Etc., of the Board of Directors

#### (a) Plan “Challenges in FY2018”

- In regard to the selection of proposals, initiatives based on directors’ duty of care, such as setting timely themes and carrying out discussions on signs of risks to the Company while grasping such signs, will continue to be sought.
- The necessity of agenda items will be considered each year and the number of items will be narrowed down each year to enable substantial discussions to be carried out during meetings of the Board of Directors.
- It was confirmed that information sharing related to the succession plan will continue to be made on a routine basis while repeating the Plan, Do, Check, Act (PDCA) cycle.



(b) Do and Check “Confirmation and Evaluation of the Status of Response in FY2018”

Themes identified during the previous year were appropriately presented as proposals and discussed. In addition, specific risks associated with ESG activities, data integrity, and global product quality were put on the agenda, and latent risks and the status of measures taken to address them were ascertained.

As 3 years have passed since the launch of “EWAY 2025,” the business environment has changed dramatically, and it was confirmed that the themes to be discussed at meetings of the Board of Directors will be considered accordingly.

The Board of Directors delegates a significant amount of decision-making on business execution to corporate officers so that it can focus on its work of management oversight. As such, matters to be resolved by the Board of Directors are sufficiently narrowed down, yet it was found necessary to review and sort out the matters again in light of the revision of the Corporate Governance Code by the Tokyo Stock Exchange as well as the latest discussions regarding governance, etc.

The succession plan was submitted by the CEO in September 2018 and March 2019 to share information and discuss relevant details. It was confirmed that activities related to this matter were appropriate.

(c) Act “Challenges toward FY2019”

- In regard to the selection of proposals, it is necessary to continue to take up medium- to long-term business issues and risks faced by the Company in a timely manner for discussion at Outside Directors Meetings and elsewhere.
- Matters to be resolved and reported at meetings of the Board of Directors will be reviewed and sorted out again.
- The succession plan will continue to be developed by implementing the Plan, Do, Check, Act (PDCA) cycle. Outside directors must strive to obtain a deeper understanding of the evaluation of each candidate through efforts such as meeting the candidate in person to assess his or her character.

(2) The Board of Directors Proceedings, Etc.

(a) Plan “Challenges in FY2018”

- There is still much room for improvement of quarterly business execution reports, such as a further reduction of the volume of information and

number of materials, and simplifying the report. It was therefore confirmed that ongoing efforts for improvement will be carried out.

- Amid the global changes in discussions on how risks should be understood, as qualitative improvement of the content reported to the Board of Directors, it was confirmed that the content should go beyond the reporting of risks, such as compliance items, and corporate officers must recognize the strategic risks (including both positive and negative risks) relating to business activities and such reports should be requested.
- It was confirmed that initiatives toward improvement of the convenience of the information sharing system will continue to be carried out.

(b) Do and Check “Confirmation and Evaluation of the Status of Response in FY2018”

Although quarterly business execution reports have been improved in terms of the quality of proposals and materials, it was found necessary to further simplify and streamline the reports.

Specifically, improvements observed included (1) identification and reporting of important issues, and (2) modification of format to more explicitly describe risks.

As a result, newly submitted reports were more centered on risks encountered and countermeasures. This enabled the discussions at Board of Directors meetings to be more focused on risks.

Meanwhile, it was confirmed that ongoing efforts are still required to improve risk-related reporting, given the difference in the level of risk awareness among corporate officers, insufficient understanding of strategic risks, etc.

Tablet devices were used to make improvements such as providing proposals, materials, etc., using information sharing systems, and providing information in a timely manner. It is expected that efforts will continue to be made to further improve usability.

(c) Act “Challenges toward FY2019”

- Improvements will continue to be made to quarterly business execution reports to make them more compact and readable by setting the focal points of discussion.
- As for risk reports, it was confirmed that more in-depth reports that include actions to be taken and countermeasures will be sought.
- It was confirmed that continued efforts are needed to enable early provision of proposals using information sharing systems, upgrade rules related to Board of Directors meetings and materials that help improve the

quality of discussion at these meetings and make them more accessible, and further improve usability of information-sharing systems.

### (3) Outside Directors, and Outside Directors Meeting

#### (a) Plan “Challenges in FY2018”

- In regard to training sessions, the importance for even re-elected directors to repeatedly acquire basic information and knowledge related to the industry and the Company through such means as auditing the training for new outside directors, and the need to establish periodic opportunities to acquire information and knowledge specific to the industry were confirmed. Furthermore, ongoing initiatives by the secretariat to provide support in relation to technical terms and abbreviations used in proposals at the meeting of the Board of Directors, etc., were sought.
- There was no opportunity in FY2017 for outside directors to come into contact with patients, who are the Company’s major stakeholders. The need to establish these kinds of opportunity on an ongoing basis based on the Corporate Philosophy was confirmed.
- Re-examining the utilization of the Outside Directors Meeting as a forum for communication among outside directors and promotion of understanding each other’s ways of thinking, etc., which was the original objective of establishing the Outside Directors Meeting, broadening the scope of the themes handled in the meetings, and devising better ways to hold the meetings were confirmed to be issues.
- It was confirmed that the dialogue between outside directors and institutional investors will continue to be carried out from FY2018 upon consideration of the implementation method and theme of the dialogue, and that going forward, such engagement between outside directors and institutional investors will be added on as a Board of Directors evaluation item.

#### (b) Do and Check “Confirmation and Evaluation of the Status of Response in FY2018”

Sufficient training sessions were held, including provision of basic information about the Company, visits to laboratories and plants, and sharing of information about specific themes (enterprise risk management, Brexit and region-specific risks, and dementia ecosystems) by corporate officers. It was helpful to have re-elected directors participate in training sessions for new outside directors from the standpoint of updating information and knowledge. Going forward, the contents of training sessions

should be further improved through comparison with competitors (development status, status of areas other than the Company's core areas, market conditions, etc.) and by other means.

In FY2018, all outside directors participated in the "socialization program (hhc activity)," in which participants spend time with patients to obtain a deeper understanding of the Company's hhc philosophy and its practice.

In addition to the Board of Directors evaluation and succession plan, Outside Directors Meetings have further grown in importance, handling broader discussion themes, and are now held 8 times a year.

Meanwhile, it was noted that the opportunities for free discussion to deepen the mutual understanding of outside directors were reduced and that this needs to be rectified.

In this year's Board of Directors evaluation, many themes were requested to be discussed in Outside Directors Meetings. They included matters related to corporate governance, such as the ideal nature of the Board of Directors, and matters intended to improve the quality of discussion at Board of Directors meetings, including free discussion with corporate officers regarding medium- to long-term management issues.

In September 2018, approximately 50 institutional investors and 7 outside directors met to engage in dialogue. Interviews with institutional investors were also conducted by means of individual visits.

It was recognized that activities to build mutual trust with institutional investors through constructive dialogue, beyond simple exchanges of opinions, are useful and important for improving corporate governance, and that they need to be continued and developed as a forwardlooking initiative ahead of other companies.

Starting this fiscal year, establishment of a system for promoting dialogue with institutional investors and their continued implementation were added as evaluation items to the Board of Directors evaluation.

(c) Act "Challenges toward FY2019"

- In regard to training sessions, it is expected that opportunities will be provided to interact with young and mid-level employees through visits to research and production facilities and sales offices, etc., particularly to learn about the activities of employees who work at the front line of sales in Japan amid dramatically changing environments and hear their thoughts. In addition, it was confirmed that sharing and updating of information about business activities and environments by corporate

officers need to be done repeatedly each year at Outside Directors Meetings, in order to deepen understanding.

- It was confirmed that opportunities for discussion must be provided for matters requested as themes for Outside Directors Meetings after setting priorities, and that outside directors must acquire deeper understanding of business and corporate governance, in order to improve the discussion undertaken at Outside Directors Meetings. Opportunities to engage in free discussion without any set themes will be provided flexibly, and the number of these meetings will be increased.
- It was confirmed that various channels such as small gatherings and private visits will be devised for holding dialogues with institutional investors, and further efforts will be made to that end. It was also confirmed that, since this is an initiative that is still not conducted by many other companies, it is necessary to promote it as an advanced initiative designed to improve the Company's corporate governance.

#### (4) Nomination, Audit, and Compensation Committees

##### (a) Plan "Challenges in FY2018"

- The individual issues of each committee, which were pointed out as comments in the FY2017 evaluations, were confirmed. It was confirmed that each committee will review their respective issues in question.

##### (b) Do and Check "Confirmation and Evaluation of the Status of Response in FY2018"

The Nomination Committee and Compensation Committee provided thorough reports on the execution of their duties to the Board of Directors, and it was noted that the reports helped deepen the understanding of directors other than members of these Committees. The Nomination Committee deliberated on the issue of the terms of service of outside directors, and the Compensation Committee discussed the issues of disclosing officer compensation and revising the stock-based compensation system. It was confirmed that both Committees achieved a certain degree of success in their efforts.

After deliberating on working papers, the Audit Committee quickly shared information about the contents of the working papers with directors other than members of the Audit Committee. Meanwhile, it was confirmed that given the vast amounts of information and materials that need to be discussed at Committee meetings, efforts will continue to be made to improve management, including prior explanations, discussions at meetings,

and how to proceed with deliberations, as challenges toward the next fiscal year.

(c) Act “Challenges toward FY2019”

- Issues with respect to operations of each Committee were confirmed, and it was confirmed that said issues will be discussed by each Committee.
- It was noted that the Audit Committee must continue to remind the Board of Directors from time to time of issues that need to be shared with the Board of Directors, among the information reported to the Audit Committee, in addition to the normal Audit Committee reports to the Board of Directors.

(5) Matters Related to Internal Control and Risks

(a) Plan “Challenges in FY2018”

- The meeting with assigned corporate officers on overseas risks was a good opportunity for understanding the local situation. It was confirmed that the meeting will be conducted repeatedly in the future, and that the meeting will be held for other regions as an opportunity for information exchange with a further focus on risks.
- The need for directors to take the initiative to make risks visible by proactively seeking reports on risks from operational divisions and to make sound risk management a custom by proceeding with things after correctly understanding the risks, was confirmed.

(b) Do and Check “Confirmation and Evaluation of the Status of Response in FY2018”

Information was shared with the corporate officers in charge in the EMEA (Europe, Middle East, Africa, Oceania) regions, as it was done last year for the Americas and China regions.

In addition, specific issues (ESG, data integrity, product quality) and risk-related themes (enterprise risk management) were discussed at Board of Directors meetings and Outside Directors Meetings.

Meanwhile, as stated in the evaluations in quarterly business execution reports, it was found necessary to continue to have outside directors urge corporate officers to make appropriate reports, given the difference in the level of risk awareness among corporate officers and insufficient understanding of strategic risks.

As for the Board of Directors, it was noted that, in addition to overseeing whether corporate officers executed their duties appropriately based on submitted reports of results, it is important to review future risks and what

actions were taken in response, and to oversee how the corporate officers understand those risks.

(c) Act “Challenges toward FY2019”

- It was found necessary to share information with regional managers in Asia and Latin America regions as well, and to plan and implement information updates in regions where information was shared in the past.
- It was found that the Board of Directors must recognize important risks that need to be overseen by the Board of Directors from among the wide range of risks identified by corporate officers, and receive periodic reports from corporate officers on the actions taken to prepare for and respond to those risks, and on how the impact and probability of occurrence have changed.

(6) Other Matters Related to Corporate Governance

(a) Plan “Challenges in FY2018”

- It was confirmed that the disclosure on the Company’s corporate governance will be enriched such as by disclosing the results of corporate governance evaluations as items within the Board of Directors’ Plan, Do, Check, Act (PDCA) cycle.
- It was confirmed that the dialogue between outside directors and institutional investors will continue to be carried out from FY2018 after consideration of the implementation method and theme of the dialogue, and that going forward, such engagement between outside directors and institutional investors will be added on as a Board of Directors evaluation item.

(b) Do and Check “Confirmation and Evaluation of the Status of Response in FY2018”

The results of evaluation of the effectiveness of the Board of Directors are disclosed in PDCA format, and it was confirmed that the contents are adequate. On the other hand, it was noted that some improvements are needed to help individual shareholders obtain a deeper understanding, such as presenting the information more concisely.

(Evaluations related to institutional investors and engagement with institutional investors are stated in the “Outside Directors, and Outside Directors Meeting” section.)

(c) Act “Challenges toward FY2019”

- It was confirmed that further efforts will be made to enhance the discussion and disclosure of corporate governance evaluations. It was also

found necessary to continually review evaluation methods, etc., as this type of system often starts to lose substance as soon as it is established.

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

In order to deepen the understanding of the Company's business activities and business environment, enhance deliberations by the Board of Directors, and fully utilize the oversight function, outside directors plan and carry out various training sessions as well as opportunities to interact with operational divisions (corporate officers, employees, etc.).

(1) Participation in Socialization Programs with Patients

To deepen their understanding and implementation of the Company's Corporate Philosophy of hhc, outside directors also take part in socialization programs (hhc activities) in which they spend time with patients.

<Content of the Socialization Programs>

- Tour of a facility housing the elderly with dementia or requiring nursing care, and dialogue with residents
- Tour of a facility for people with physical and intellectual disabilities and dialogue with facility users
- Hosting of a lecture by dementia with Lewy bodies patients and the implementation of group work by lecture participants

In FY2018, all outside directors participated at least once in these hhc activities.

(2) Communication with Corporate Officers and Employees

A meeting was held with the corporate officer assigned to the EMEA region as part of informationsharing related to the state of enterprise risk management efforts and understanding the state of the management of global risks. A meeting was held between outside directors and assigned corporate officers in order to deepen outside directors' understanding of the Company's business activities and business environment. Opportunities for information-sharing and discussion between outside directors and young employees were held at locations such as the Tsukuba Research Laboratories and the Kawashima Plant.

(3) Training Sessions for Outside Directors

Newly-appointed outside directors undergo training sessions prior to taking office, on topics that include an outline of the Company, the Corporate Philosophy, the Company's financial condition and corporate governance.



Explanations are also provided on various rules and regulations concerning officers.

After taking office, briefings on such topics as the Company's business activities, trends in the pharmaceutical industry, and the Company's business environment are made by assigned corporate officers at an early stage to deepen outside directors' understanding of the Company. Tours of business offices and other training are also carried out. With the objective of updating their knowledge, directors other than those who have been newly appointed also participate on a voluntary basis.

#### (4) Compliance Training

Compliance training for officers is carried out twice a year, during the first and second half of the year, and outside directors also participate in this training.

#### [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.

[Principle 5-2 Determination / Announcement of Management Strategy and Management Plans]

The Company has adopted equity spread (ROE in excess of shareholders' cost of capital) as a KPI of corporate value, and aims to create a positive equity spread (10-year average) over the medium- to long-term. While pharmaceutical company shares are classified as defensive, the Company conservatively assumes a cost of equity of 8%. Furthermore, the Company has set investment selection criteria for strategic investment (VCIC: Value-Creative Investment Criteria), and ensures value creation by using NPV with approximately 200 types of risk-adjusted hurdle rates, and Internal Rate of Return (IRR) spread as KPIs.

Pursuing value creation in excess of positive-equity spread over the medium- to long-term, under the medium-term business plan 'EWAY 2025', the Company aims to attain ROE at the 10% level and an equity spread at the 2% level for fiscal 2020, as the midpoint of the plan. For fiscal 2025, the final year of the plan, the Company is mindful of attaining ROE at the 15% level and an equity spread at the 7% level.

## 2. Capital structure

Percentage of Foreign Shareholders : 20 to 30%

[Status of Major Shareholders] (Update)

Name / Company Name	Number of shares Held	Percentage held of all shareholder voting rights (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	33,741,100	11.78
Japan Trustee Services Bank, Ltd. (Trust Account)	31,494,100	11.00
State Street Bank and Trust Company 505001	18,329,188	6.40
Nippon Life Insurance Company	12,281,845	4.29
Saitama Resona Bank Limited	7,300,000	2.55
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	1.89
Japan Trustee Services Bank, Ltd. (Trust Account 5)	4,697,600	1.64
Japan Trustee Services Bank, Ltd. (Trust Account 7)	4,536,100	1.58
The Naito Foundation	4,207,169	1.46
JP MORGAN CHASE BANK 385151	4,092,411	1.42

Predominant Shareholders: -----

Parent Company: Not exist

Supplementary explanation: (Update)

Although the following Large Shareholding Report (revised report) was received before the end of March 2019, in cases in which it is impossible to make confirmation with the shareholder registry for the end of March 2019, 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 the Mitsubishi UFJ Financial Group, Inc., all 4 companies jointly held 16,113 thousand shares (5.43%) as of July 13, 2015 (July 21, 2015, Revised Report)

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

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

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

5) Including BlackRock Japan Co., Ltd., all 11 companies jointly held 18,308 thousand shares (6.17%) as of August 15, 2017 (August 21, 2017, Revised Report)

6) Nomura Asset Management Co., Ltd. held 14,963 thousand shares (5.05%) as of March 15, 2018 (March 22, 2018, Large Shareholding Report)

7) Including Sumitomo Mitsui Trust Bank, Limited, all 3 companies jointly held 15,967 thousand shares (5.38%) as of December 14, 2018 (December 21, 2018, Revised 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]
Yasuhiko Katoh	Came from another company	—
Tamaki Kakizaki	Academic	—
Daiken Tsunoda	Attorney	—
Bruce Aronson	Academic	—
Shuzo Kaihori	Came from another company	—
Ryuichi Murata	Came from another company	—
Hideyo Uchiyama	Certified public accountant	—

[\*1] Types of relationship to the company

- a. person who executes business of the company or a subsidiary
- b. person who executes business or a non-executive director of a parent company
- c. person who executes business of a fellow subsidiary
- d. person/entity for which the company is a major client or a person who executes business for such person/entity
- e. major client of the company or a person who executes business for such client
- f. 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) (Update)**

Name	Supplementary Explanation of Conforming Items	Supplementary Explanation of Conforming Items
Yasuhiko Kato (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.Kato 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 (1) practical accomplishments as a director and chair of the Board of Directors, (2) qualifications and capabilities as a director, (3) career background, and (4) number of years in office, etc. 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>  Mr. Kato has experience serving as an officer of Mitsui Engineering &amp; Shipbuilding Co., Ltd. (currently Mitsui E&amp;S Holdings Co., Ltd.). However, there is no transactional relationship between said company and the Company.  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.  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>
<p>Tamaki Kakizaki  (Independent officer for notifications to stock exchanges)</p>	<p>Meeting “Requirements for the Independence and Neutrality of Outside Directors” that were stipulated by the Nomination Committee.  (See the final page for</p>	<p><b>&lt;Reason for Selection&gt;</b>  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.  In addition to constructing a Board of</p>

Name	Supplementary Explanation of Conforming Items	Supplementary Explanation of Conforming Items
	details.)	<p>Directors composed of diverse members with a variety of specialized knowledge and experience, etc., the Nomination Committee has considered such factors as her (1) practical accomplishments as a director and member of the Audit Committee, (2) qualifications and capabilities as a director, (3) career background, and (4) number of years in office, etc. 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>  Ms. Kakizaki serves as an outside director 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). She also serves as an outside corporate auditor of Japan Airport Terminal Co., Ltd. There is no steady transactional partnership between said company and the Company. As explained above, 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</p>



Name	Supplementary Explanation of Conforming Items	Supplementary Explanation of Conforming Items
		<p>by the Nomination 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>
<p>Daiken Tsunoda (Independent officer for notifications to stock exchanges)</p>	<p>Meeting “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 (1) practical accomplishments as a director, member of the Audit Committee, and chair of the Independent Committee of Outside Directors, (2) qualifications and capabilities as a director, (3) career background, and (4) number of years in office, etc. 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</p>

Name	Supplementary Explanation of Conforming Items	Supplementary Explanation of Conforming Items
		<p>him to continue from the previous year serving as an outside director.</p> <p><b>&lt;Policy for Independence and Neutrality&gt;</b>  Mr. Tusnoda 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 (no more than ¥3 million per year over the past 5 years). Note that there was no history of any such payment during or after FY2016. Furthermore, the Company has no steady transactional relationship with Culture Convenience Club Co., Ltd. (unlisted), for which he currently serves as an outside director.</p> <p>As explained above, 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>
Bruce Aronson (Independent	Meeting “Requirements for the	<p><b>&lt;Reason for Selection&gt;</b>  Mr. Aronson is a practicing attorney and a legal academic with a focus on international</p>

Name	Supplementary Explanation of Conforming Items	Supplementary Explanation of Conforming Items
officer for notifications to stock exchanges)	Independence and Neutrality of Outside Directors” that were stipulated by the Nomination Committee. (See the final page for details.)	<p>comparative corporate governance. Although he has not been directly involved with management, he has a deep knowledge of corporate governance and other corporate laws that gives 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 the his (1) practical accomplishments as a director, member of the Nomination Committee, and chair of the Compensation Committee, (2) qualifications and capabilities as a director, (3) career background, and (4) number of years in office, etc. 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> 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.</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</p>

Name	Supplementary Explanation of Conforming Items	Supplementary Explanation of Conforming Items
		<p>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. 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>
<p>Shuzo Kaihori (Independent officer for notifications to stock exchanges)</p>	<p>Meeting "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> Mr. Kaihori has abundant experience as the top executive of a global corporation in industrial instruments and process control equipment businesses. He has a high level of insight into management as well as excellent supervisory ability. 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 (1) practical accomplishments as a director, chair of the Nomination Committee, and member of the Compensation Committee, (2) qualifications and capabilities as a director, (3) career background, and (4) number of years in office, etc. 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>  Mr. Kaihori has experience serving as an officer of Yokogawa Electric Corporation. Although there is a history of transaction between the Company and Yokogawa Solution Service Corporation, which is a subsidiary of said company, the amount was negligible (less than 0.01% of the consolidated sales of said subsidiary). He serves as an outside director of HOYA Corporation. There is no steady transactional partnership between said company and the Company.</p> <p>As explained above, 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>
Ryuichi Murata (Independent officer for notifications to stock	Meeting “Requirements for the Independence and Neutrality of Outside Directors” that	<p><b>&lt;Reason for Selection&gt;</b>  Mr. Murata has abundant experience as a top executive of companies in the finance and leasing industries. He possesses a high level of insight into management and has excellent supervisory ability.</p>

Name	Supplementary Explanation of Conforming Items	Supplementary Explanation of Conforming Items
exchanges)	were stipulated by the Nomination Committee. (See the final page for 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 (1) practical accomplishments as a director and member of the Nomination Committee and the Compensation Committee, (2) qualifications and capabilities as a director, (3) career background, and (4) number of years in office, etc. 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>  Mr. Murata has experience serving as an officer of Mitsubishi UFJ Lease &amp; Finance Company Limited.</p> <p>There is no transactional partnership between said company and the Company. He has also served in the past as an officer of The Bank of Tokyo-Mitsubishi UFJ (currently MUFG Bank, Ltd.). However, more than 5 years have already passed since retiring in June 2009 from said position as officer, and he meets the Company's "Requirements for the Independence and Neutrality of Outside Directors."</p> <p>He serves as an outside director of Kintetsu Group Holdings Co., Ltd. Although Kinki</p>

Name	Supplementary Explanation of Conforming Items	Supplementary Explanation of Conforming Items
		<p>Nippon Tourist Co., Ltd., a subsidiary of said company, has a history of transaction with the Company, the value of said transaction is negligible (less than 0.02% of the consolidated sales of said subsidiary). He also serves as an outside audit &amp; supervisory board member of Noritake Co., Limited. However, there is no transactional relationship between said company and the Company.</p> <p>As explained above, 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>
<p>Hideyo Uchiyama (Independent officer for notifications to stock exchanges)</p>	<p>Meeting “Requirements for the Independence and Neutrality of Outside Directors” that were stipulated by the Nomination</p>	<p><b>&lt;Reason for Selection&gt;</b></p> <p>Mr. Uchiyama has expertise as a certified public accountant.</p> <p>At the same time, he has abundant experience as the head of an audit firm and top executive of a global consulting firm. He also has a high level of insight into management as well as excellent supervisory ability.</p>

Name	Supplementary Explanation of Conforming Items	Supplementary Explanation of Conforming Items
	Committee. (See the final page for 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 (1) practical accomplishments as a director and chair of the Audit Committee, (2) qualifications and capabilities as a director, (3) career background, and (4) number of years in office, etc. 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>  Mr. Uchiyama has experience serving as an officer of KPMG Japan. There is no steady transactional relationship between the group companies of KPMG Japan and the Company. He currently serves as an advisor of Asahi Tax Corporation. However, there is no transactional relationship between said company and the Company.</p> <p>He also serves as an outside audit &amp; supervisory board member of Sompo Holdings, Inc. The Company has insurance policy transactions with an insurance company affiliated with said company. However, the value of said transactions is negligible (less than 0.01% of said insurance company's net premium income). He also serves as an outside audit &amp; supervisory</p>



Name	Supplementary Explanation of Conforming Items	Supplementary Explanation of Conforming Items
		<p>board member of OMRON Corporation. However, there is no transactional partnership between said company and the Company.</p> <p>As explained above, 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>

**[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 **(Update)** : 30

**Status of additional duties (Update)**

Name	Representative Authority	Additional Duties as Director			Additional Duties as Employee
			Nomination Committee Member	Compensation Committee Member	
Haruo Naito	Yes	Yes	No	No	No
Yasushi Okada	Yes	No	No	No	No
Kenta Takahashi	No	No	No	No	No
Ryohei Yanagi	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
Ivan Cheung	No	No	No	No	No
Hidenori Yabune	No	No	No	No	No
Hiroyuki Kato	No	No	No	No	No
Takashi Owa	No	No	No	No	No
Lynn Kramer	No	No	No	No	No
Sayoko Sasaki	No	No	No	No	Yes
Junichi Asatani	No	No	No	No	No
Shaji Procida	No	No	No	No	No
Teiji Kimura	No	No	No	No	No
Masayuki Miyajima	No	No	No	No	No
Tatsuyuki Yasuno	No	No	No	No	No

Name	Representative Authority	Additional Duties as Director			Additional Duties as Employee
			Nomination Committee Member	Compensation Committee Member	
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
Akiko Nakahama	No	No	No	No	Yes
Kazumasa Nagayama	No	No	No	No	Yes
Yosuke Akita	No	No	No	No	Yes
Kappei Tsukahara	No	No	No	No	Yes
Hiroyuki Murayama	No	No	No	No	Yes
Keisuke Naito	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 (Update)

### Auditing Activities of the Audit Committee in Relation to the Accounting Auditor

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 evaluated the engagement partners and audit team through monitoring and verification of the various activities of the Accounting Auditor by the Audit Committee and the Management Audit Department.

### Auditing Activities of the Audit Committee in Relation to Internal Audit Departments, etc.

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 monthly meetings between Audit Committee members, the Corporate Compliance and Risk Management Department, and the Corporate Internal Audit Department. In addition to those meetings, the Audit Committee also promptly shares information regarding any matters of urgency that may arise in relation to internal audits.
- In order to determine the existence of any investigations that may aid in audit-related matters, the Audit Committee obtained internal audit plan documents (annual plans).
- 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, from the Corporate Internal Audit Department, information concerning the status of internal control over financial reporting under the Financial Instruments and Exchange Act of Japan.
- The Audit Committee regularly obtained, from the Corporate Compliance and Risk Management Department, reports regarding the status of efforts in internal control related to risk management.

[\*1] Unlike audits performed by the Audit Committee and accounting audits  
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, Asia, etc.) 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 conducted under the supervision 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 international standards, the internal audit departments receive evaluations by an external evaluation committee composed of outside experts. These evaluations are conducted according

to the global 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 composed of Eisai Co., Ltd., and its subsidiaries and associated companies.

### **[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. The performance-based compensation of corporate officers who have been appointed from an overseas subsidiary adopts a medium- to longterm incentive system instead of a stock-based compensation system.

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 **(Update)**

The officers for whom consolidated compensation, etc., totaled ¥100 million or more in FY2018 are the following 6 individuals. The total amounts for each are given below.

Haruo Naito Representative Corporate Officer and CEO ¥152 million

Gary Hendler Senior Vice President ¥142 million

Lynn Kramer Vice President ¥194 million

Shaji Procida Vice President ¥183 million

Alexander Scott Vice President ¥145 million

Yanhui Feng Vice President ¥114 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.). Yanhui Feng receives compensation from Eisai China Inc. (China). The total amount of compensation received is shown for these individuals.

### Policy regarding the determination of compensation and method of calculation **(Update)**

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 stockbased 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]

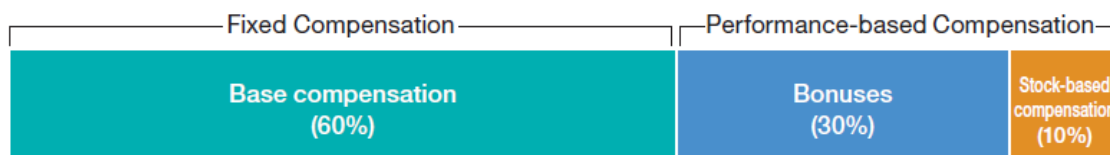
-----→ [Bonuses]

-----→ [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.

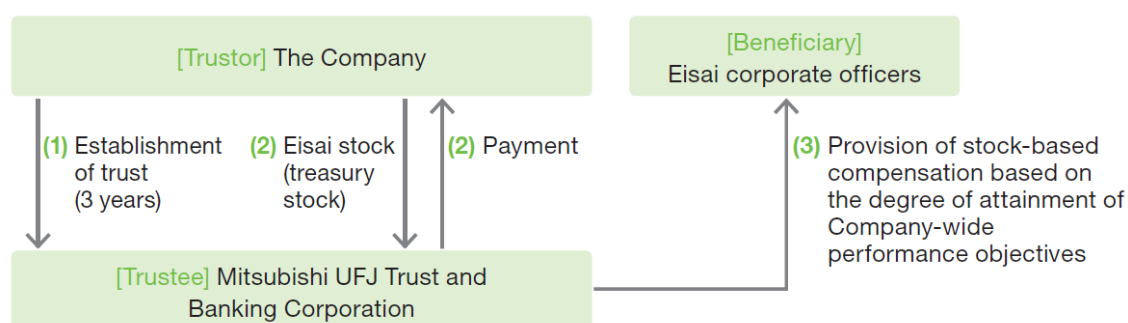
The compensation paid to corporate officers is made up of base compensation, bonuses, and stock-based compensation at a ratio of 6:3:1, and performance-based compensation accounts for 40% of total compensation.



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.

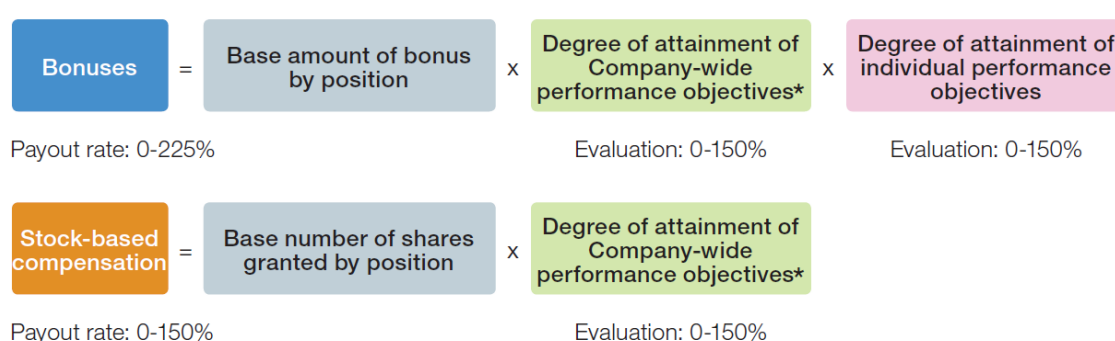
It is designed to motivate the Company's corporate officers to share the profit-consciousness of shareholders, and to perform duties from a medium- to long-term perspective on performance and stock prices.

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.

The Company decided to adopt these 4 evaluation indicators because first of all, they represent management indicators to share with shareholders as

published numerical targets for achieving the business plan for the corresponding fiscal year, and because the Company considers consolidated ROE an important indicator of the sustained creation of value for shareholders. The Compensation Committee has deemed the 4 indicators appropriate for evaluating the performance of duties.

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, bonus payments to 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 FY2018 (from April 1, 2018, to March 31, 2019) was as indicated below.

Total FY2018 Officer Compensation

	Base compensation		Performance-based compensation				Total (Millions of yen)
			Bonuses		Stock-based compensation		
	Number of recipients (No. of officers)	Amount (Millions of yen)	Number of recipients (No. of officers)	Amount (Millions of yen)	Number of recipients (No. of officers)	Expense amount (Millions of yen)	
Directors (inside)	3	113	—	—	—	—	113
Directors (outside)	10	88	—	—	—	—	88
Corporate officers	24	711	24	405	24	104	1,219
<b>Total</b>	<b>37</b>	<b>912</b>	<b>24</b>	<b>405</b>	<b>24</b>	<b>104</b>	<b>1,420</b>

(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 FY2018.

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 2019 to eligible corporate officers for the period from April 2018 through March 2019, together with the total value of bonus payments paid in July 2018 to eligible corporate officers for the period from April 2017 through March 2018, less the value of the reserve for bonus payments disclosed in the business report for FY2017.

4 Figures for stock-based compensation of corporate officers are the compensation to be granted in July 2019 to eligible corporate officers for the period from April 2018 through March 2019, together with the total value of stock-based compensation, etc., granted in July 2018 for the period from April 2017 through March 2018, less the value of the reserve for stock-based compensation disclosed in the business report for FY2017. 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) 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

##### (3) Audit Committee

The Company has established a Management Audit Department independent of operational divisions as a specialized organization to provide support for the Audit Committee. 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

**[Status of Persons retired from office of President & Representative Director, etc.]**

Name, etc. of Senior Adviser, Adviser, etc. who was President & Representative Director, etc.

Name	Title / Position	Job	Working Style/Conditions (Full-time / Part-time, Remuneration, etc.)	Retirement date from office, such as President)	Term of Office
-	-	-	-	-	-

Total number of Senior Adviser, Adviser, etc. who was President & Representative Director, etc. : No (0) persons

**Other matters**

We sometimes appoint our former Corporate officers/Directors to Senior Advisers/Advisers. The roll of them is to gives advice as needed in accordance with requests from the management and to do specific duties

**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, etc.
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. After issuing the integrated report, a roundtable discussion about the integrated report in which CFO mainly explains is held for analysts, institutional investors and mass media with high interests in ESG. 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	Yes

	Supplementary Explanation	Explanation from Representative
	<p>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 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,</li> </ol>

	Supplementary Explanation
	<p>enhancement of corporate value, and proactive return to shareholders</p> <p>3. Ensuring stable employment, offering challenging and fulfilling duties, and providing full opportunities for the 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 (Environment, Social and Governance) must be taken into account in addition to financial value when determining a company's value. As the Group expands business based on the hhc philosophy, it has been strengthening its ESG initiatives, such as reducing the burden on the global environment (Environment), improving access to medicines and developing human resources of the Company (Social), and ensuring fairness and transparency of management (Governance). In addition, the Company positions initiatives for ESG as consistent with the SDGs (Sustainable Development Goals) which are international goals adopted at the United Nations summit. In fiscal 2018, the Company established the Policy, Advocacy &amp; Sustainability Department which is</p>



	Supplementary Explanation
	<p>responsible for company-wide strategies for ESG and SDGs as well as their advancement. The Group applied for the accreditation of Science Based Targets initiative, an international initiative to keep global temperature increase below 2 degrees Celsius compared to pre-industrial revolution in order to transition to the low-carbon economy, and then obtained approval. In addition, a human rights policy for the Group was formulated in line with the United Nations Guiding Principles on Business and Human Rights, which are internationally recognized as guidelines on human rights. With these initiatives, the Group is striving to further enhance non-financial value.</p> <p>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

**(Update)**

##### 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 companies from their 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 operation 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

### 1. Adoption of takeover prevention: Yes

Supplementary explanation of the above **(Update)**

On June 20, 2019, the Board of Directors passed a resolution for the continuation of the “Policy for Protection of the Company’s Corporate Value and Common Interests of Shareholders”

The revised Policy will come into effect on July 1, 2019, based on this resolution.

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

#### 1. Background of the Implementation, Continuation, and Partial Revision

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 decision to continue the Policy was made, and the Policy was updated, at meetings of the Board of Directors held in August 2011 and April 2016.

The Independent Committee of Outside Directors analyzed the results of the exercise of voting rights regarding proposals for the selection of directors at the June 2017 Ordinary General Meeting of Shareholders, provided opportunities for thorough dialogue between institutional investors and outside directors, and otherwise examined the matter from a broad range of perspectives. Then in April 2018, the Independent Committee of Outside Directors revised the Policy as follows and implemented measures to deepen the understanding of shareholders.

- (1) Shortening the effective period from 5 years to 1 year
- (2) Increasing the applicable acquisition criteria from 15% to 20%
- (3) Inclusion of detailed explanations of the Policy, including the activities of outside directors, in the Notice of Convocation of the 106th Ordinary General Meeting of Shareholders (June 2018)

#### 2. Significance and Purpose

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 the

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. Characteristic Mechanisms

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

As for the implementation and updating of the Policy, rather than putting it to a vote at the General Meeting of Shareholders, the corresponding decisions are made by the Board of Directors in accordance with a proposal from the Independent Committee of Outside Directors. This is because, 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. 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 management including managers, 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

By having each director declare his or her stance on the Policy in the reference documents for the proposals for the selection of directors included with the Notice of Convocation of the Ordinary General Meeting of Shareholders, 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.

(3) Mechanism that prevents arbitrary operation by the management team

The Independent Committee of Outside Directors makes decisions on the issuance or non-issuance of stock acquisition rights based on the Policy. If the Independent Committee of Outside Directors judges that an offer to purchase fulfills the procedures and criteria of the Policy and will contribute to the improvement of the Company's corporate value, stock acquisition rights will not be issued. Such decisions on the non-issuance of stock acquisition rights will not be deliberated upon again by the Board of Directors. The mechanism ensures that neither inside directors nor corporate officers have any involvement in decisions not to issue stock acquisition rights, and makes it possible to prevent abusive operation of the Policy (issuance of stock acquisition rights) by the management team.

(4) The effective period is 1 year

The effective period of the Policy is 1 year. The Independent Committee of Outside Directors considers whether to maintain, revise, or abolish the Policy on a yearly basis. The Independent Committee of Outside Directors can resolve to make a proposal to revise or abolish the Policy to the Board of Directors at any time.

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

The Independent Committee of Outside Directors makes the decision to continue the Policy after conducting deliberations on the following.

(1) While the Policy can also serve to establish favorable conditions for the majority of existing shareholders through negotiations with buyers when such appear, its operation includes a mechanism that eliminates arbitrariness of the management team and makes it possible to prevent abusive issuance of stock acquisition rights by the management team (imposition of so-called takeover defense measures), so it is believed to be better for shareholders and investors to have it.

(2) Depending on the Company's business environment and industry trends, the presence of risks in acquisitions that have the danger of damaging the

Company's corporate value and the common interests of shareholders cannot be denied, and from the perspective of protecting the security and peace of mind of the Company's principal stakeholders, including patients and their families, it is both necessary and appropriate for the Board of Directors to make sufficient preparations to handle risks.

- (3) Although procedures for large-scale purchasing have been established in Japan's Financial Instruments and Exchange Act, compared to the legal systems involved in corporate acquisitions in each country of Europe and the U.S., we recognize that the Act is still not enough to protect the Company's corporate value and the common interests of shareholders.
- (4) If we establish procedures, etc., for large-scale purchases of the Company's stock and disclose them, and 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.
- (5) 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.

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

<https://www.eisai.com/company/governance/cgregulations/index.html>

## **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      Corporate Officer  
 disclosure of      →      in charge of      →      CEO      →      Disclosure  
 financial statements      public relations

**[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      Chief  
 sections on      Accounting section Financial  
 securities report ↔ Finance section → 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)**

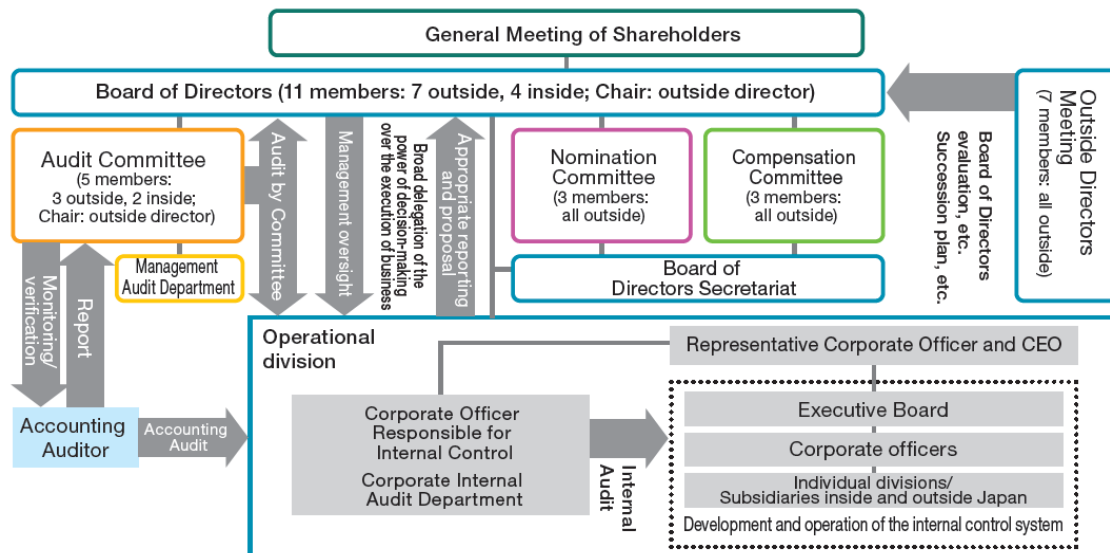
All other information is disclosed via the following procedure. The public relations section gathers information for potential disclosure and reports it to the Corporate Officer in charge of public relations. In addition, when internal sections (including subsidiaries) become aware of or retain information 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

## [Appendices]

### The Company's Corporate Governance System





## Requirements for the Independence and Neutrality of Outside Directors

(Revised on August 2, 2017)

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, to or from, as applicable, the Eisai Group, and a financial institution which has outstanding loans to the Eisai Group whose principal aggregate amount equals or exceeds 2% of the Eisai Group's consolidated total assets.

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.