

Final Update: June 18, 2021

Eisai Co., Ltd.

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Securities Code: 4523

<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 stakeholders, beginning with 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 stakeholders. Therefore the Company is always aiming for good corporate governance, and to continually achieve its fulfillment.

In considering respecting the rights of all our stakeholders, the core of corporate governance is to ensure fair and transparent management and to enhance corporate vitality by clearly separating the supervision of management and the execution of business. The Company will maximize the role of its Outside Directors, starting with their supervision of management and aiming at good corporate governance. In order to increase its corporate value and to increase the common interest and long-term value of stakeholders, the Company aims to achieve good corporate governance on the following bases:

(1) Shareholder Relations:

The Company shall;

- (i) Respect the rights of all stakeholders;
- (ii) Work on increasing and creating corporate value with stakeholders;
- (iii) Keep positive and smooth relations and develop trust with the Company's stakeholders through dialogue;
- (iv) Ensure transparency by timely and properly disclosing Company information; and
- (v) Proactively contribute to realize a sustainable society.

(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) The Chairs of the Nomination Committee, the Audit Committee and the Compensation Committee shall be outside directors.
- (viii) The Company shall have an *hbc* Governance Committee consisting solely of outside directors.
- (ix) The internal control system and its operation shall be enhanced to ensure the credibility of financial reports.

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 principles\*, Rules of the Board of Directors, Rules of the Nomination Committee, Rules of the Audit Committee, and Rules of the Compensation Committee.

\* From March 2021, the “Company’s Corporate Governance guideline” was renamed and revised to the “Company’s Corporate Governance Principles”.

[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 Group 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 FY2020, the Company sold strategically held shares in 5 stocks (all shares for 4 of the stocks). In addition, the Company sold a portion of considered shareholding in 2 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. In December 2019, it became a signatory to the Principles for Responsible Investment (PRI) and is making ESG investments that are based on global standards.

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 “Company’s Corporate Governance Principles,” 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 109th 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 109th 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) A Sustained, Autonomous Mechanism for Enhancement of Corporate Governance Centered on Outside Directors

The presence of 8 independent outside directors, who account for the majority of the Board of Directors, supports the effectiveness of the Company's corporate governance structure. The Company has established and is operating a mechanism to enhance sustained, autonomous corporate governance centered on outside directors, including (1) a system of electing neutral and independent outside directors by a Nomination Committee, (2) operating the Board of Directors, etc., through the leadership of a chair who is an outside director, (3) an "*hhc* Governance Committee" for broad discussion of corporate governance, including dialogues with stakeholders and the consideration of a succession plan, etc., and (4) corporate governance evaluations that drive the Plan-Do-Check-Act (PDCA) cycle of the Board of Directors and each committee. We will continue to work to enhance the content of each of those efforts.

(2) *hhc* Governance Committee

In FY2020, the Outside Directors Meeting was renamed the "*hhc* Governance Committee" and taking steps to further enhance the Company's corporate governance.

This fiscal year, the *hhc* Governance Committee has continued the work it had been doing as the Outside Directors Meeting sharing information and conducting reviews for the CEO succession plan, compiling an evaluation of the effectiveness of the Board of Directors, and holding dialogues with patients, institutional investors, employees, and other stakeholders. During this time the committee has also amended the Corporate Governance Guidelines which are subject to the Articles of Incorporation and apply with priority relative to other rules of the Company.

In revising these guidelines, we sought to re-establish them in the unique mold of the Company, while at the same time taking into account recent trends in global discussions on corporate governance, sustainability, and ESG, and referring to various codes that exist in Japan and elsewhere.

This revision was conceived through repeated exchanges of opinions between outside directors based on their own respective experiences and knowledge. Stipulations of the revision include rules such as those for relations with principal stakeholders as set forth in the Company's Articles of Incorporation, as well as our commitment to working together with all types of stakeholders toward achieving a sustainable society through our business activities. As for the title of the guidelines, discussions were held as to how to more clearly present them as applying with priority relative to other rules of the Company subject to the Articles of Incorporation. After much discussion, it was decided that the word "Principles" should be used to express that these are basic, fundamental rules that must be followed, and the title was thus changed to the "Corporate Governance Principles."

Making the *hhc* Governance Committee into a committee organization under the Board of Directors has been a positive first step in the direction toward discussions to further improve our corporate governance.

### (3) 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.

This fiscal year, an opinion exchange session was held with approximately 70 institutional investors and others through an online conferencing system, featuring roughly 2 hours of questions and answers, as well as discussions.

Individual dialogues with institutional investors were also held via online and telephone conferencing. Ten of these sessions were held, sharing information and exchanging opinions with about 7 companies overall.

Discussions with institutional investors offered the opportunity to hear candid opinions from various perspectives. The matters pointed out and knowledge gained from these dialogues are now being utilized in discussions and management oversight by the Board of Directors.

(4) Information Sharing and Discussion Regarding the Succession Plan

a) 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.

b) 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 (now called the *hbc* Governance Committee) 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 evaluates candidates on the criteria that have been set, and presents 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.

c) 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.

[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, 8 of the 12 Directors are independent and neutral Outside Directors. The backgrounds of the 8 Outside Directors include Persons with experience in corporate management, finance and accounting experts, legal experts and academic experts, etc. Further, 1 of those 8 Outside Directors is a non-Japanese citizen, and 1 is a woman. The Company has disclosed the diversity of Outside Director Candidates on page 11 in the Reference Documents of Notice of Convocation of the 109th 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 Principles," 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 Principles." 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 109th 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 Principles" as indicated below, such as putting to use their ability to meet the expectations of stakeholders, 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.
- The Directors will receive sufficient information and request additional information if necessary concerning the status of adherence to the Corporate Philosophy of the Company and the current management environment in order to fully perform their duties. The Company will provide the Directors with various training and opportunities for information sharing which will aid in the Board's duty of oversight of management.

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 effectiveness of the Board of Directors' management oversight function is evaluated each year by the *hbc* Governance Committee. 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 and other management councils is inspected and evaluated based on the recognition of issues 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 had an outside organization review our processes and results once every 3 years to regularly ensure the appropriateness and suitability of our corporate governance evaluations. This review was carried out in FY2020.

On April 26, 2021 the Board of Directors deliberated on the Board of Directors evaluation, Self-review of the Corporate Governance Guidelines, and Self-review of Internal Control Regulations compiled by the *hhc* Governance Committee, and approved the FY2020 Corporate Governance Evaluation.

#### 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 *hhc* Governance Committee.
- (3) The Board of Directors evaluation is based on self-evaluations by individual directors.
  - \* In FY2019, the Company introduced a framework that enables each director to evaluate and record the discussions, operations, etc., at every meeting of the Board of Directors.
- (4) The results of the Board of Directors evaluation are compiled and summarized by the *hhc* Governance Committee 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 Principles

- (1) The Corporate Governance Principles 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 Principles.

### 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 to Ensure of the Improvement and the Appropriateness of the Board of Directors Evaluation

- (1) Aiming to “guarantee the suitability of the Board of Directors evaluation,” in FY2017, a mechanism to guarantee the improvement and appropriateness of 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 *hhc* Governance Committee 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 *hhc* Governance Committee, 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 *hhc* Governance Committee and in reference to the report from the outside organization.

\* Review was conducted by an outside organization in FY2020.

### 5. FY2020 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 FY2020 to the issues identified in the FY2019 Board of Directors evaluation as issues for FY2020 was checked and evaluated, and the issues, etc., for the next fiscal year were recognized.

Results of the inspection by the outside organization are in “6. The Board of Directors Evaluation Third Party Review Report (overview)” as follows.

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

(a) Plan “Challenges in FY2020”

1. In order to fulfill its responsibility for fulfilling the management oversight function, one of the key roles of the Board of Directors is to find ways to understand what the medium- to long-term management issues are, monitor changes in the business environment surrounding Company management, select appropriate agenda items such as aggressive approaches to go beyond just defensive risk management, and to hold meetings more efficiently. As part of the effort to provide the information that outside directors need to exercise their oversight function, opportunities for outside directors and corporate officers to engage in closer communication and deepen their mutual understanding will be provided.
2. Quarterly business execution reports will be made more concise and compact to make the content easier for readers to understand. A basic approach to reports on risks and corresponding measures from a medium- to longterm perspective, including details on the progress of said measures, will be discussed and applied.
3. Information sharing and discussions with the CEO regarding the succession plan will continue on a regular basis. In addition, directors will be given more opportunities to engage with candidates to bring directors into even more active involvement in gathering information for discussions of the plan and nurturing potential successors.
4. Efforts will be made to establish tangible IT-driven arrangements for the operations of the Board of Directors, etc., including for emergency response, and issues such as moving away from paperbased operations will be discussed.

(b) Do and Check “Confirmation and Evaluation of the Status of Response in FY2020”

1. • Leading up to the Board of Directors resolution on the EWAY Future & Beyond medium-term business plan, directors received explanations from corporate officers about the general composure of the strategic vision based on reviews of the first half of “EWAY 2025” and analyses of the business environment from a medium- to long-term perspective. They then deliberated over the course of several meetings.
  - The agenda items of the Board of Directors were decided through discussion in the *hhc* Governance Committee, based on issues identified in the Corporate Governance evaluation the previous fiscal year. High-priority riskrelated topics chosen as agenda items were (1) business strategies plus risks and how to address them in the fields of dementia and oncology, (2) the state of establishing and operating internal controls at overseas subsidiaries and a management framework under Head Office control, and (3) establishment and enhancement of a global whistle-blowing system. Outside experts were also brought in and information about recent changes in global economic circumstances was provided for the purpose of enhancing the management oversight function of the Board of Directors.
  - There were various opportunities for communication with corporate officers, including the Board of Directors and the *hhc* Governance Committee, but the COVID-19 pandemic took away many opportunities for direct dialogue. Going forward, opportunities for communication with more corporate officers must be arranged, including through online meetings.
2. Quarterly business execution reports were improved to be more compact, focused on risk, and specify the points of discussion more clearly. On the other hand, there was still a problem with insufficient consideration for the format and content of reports on risk awareness and corresponding responses from a medium- to long-term perspective.
3. In regard to the CEO succession plan, a mechanism to review the plan was established at a meeting of the *hhc* Governance Committee, consisting entirely of outside directors.

(\* The details were described in the “DO & Check” for outside directors and the *hhc* Governance Committee.)
4. • During the COVID-19 pandemic, the Board of Directors and other committees have established the regular practice of holding meetings remotely. Prior explanations of Board of Directors agenda items,

sharing of information with corporate officers, and other related interactions take place via either online meetings or teleconference. This has eased the burdens of time limitations and restricted movement. However, it was recognized that urgent action must be taken to improve the stability and convenience of communications that rely on Internet connections and phone lines, and to run these meetings more smoothly and efficiently.

- Information can now be provided by using cloud services, which have also enabled information to be shared more swiftly. Some tasks involving stamp and signature approvals have been revised, eliminated, or switched to electronic verification, but the issue of moving away from paper-based operations for materials and documents is still up for consideration.

(c) Act “Challenges toward FY2021”

1. The Board of Directors will exercise ingenuity in setting appropriate agendas with priorities in mind, creating easy-to-understand proposals and materials, and providing better prior explanations and clear, concise supplemental explanations and other information on the day of Board of Directors meetings so that these can proceed more efficiently, and strive to secure sufficient time for deliberating important agenda items.
2. The Board of Directors will use risk maps and other tools to visualize risks, and strive to monitor them such as by identifying risks that could potentially impact corporate value when they arise such as sustainability which is a key management issue and mobilizing corporate officers to address them.
3. More opportunities will be provided for directors and corporate officers to communicate more closely and establish mutual understanding through discussion and the sharing of information.
4. Efforts will be made to run stable, highly convenient online video conferences and teleconferences, and to make meetings and related operations more efficient while moving away from paper-based operations.

(2) Outside Directors & the *hhc* Governance Committee

(a) Plan “Challenges in FY2020”

1. The *hhc* Governance Committee’s wide-ranging roles, functions, and operations pertaining to corporate governance, such as (1) discussing the

CEO succession plan, (2) performing Board of Directors evaluations, and (3) holding dialogues with institutional investors will be reorganized, and approaches to further improve the Company's corporate governance will be discussed.

The corporate governance evaluation performed in FY2020 included an outside organization review conducted once every 3 years. In addition to the results of the review, examples of methods and ingenuity employed by other companies will be compiled, systems will be evaluated, and if necessary they will be revised.

2. Visits by outside directors to research, production, and sales locations, training sessions for new outside directors, and updates of information on the pharmaceutical industry and the Company's business activity will continue.
  3. Free discussions with no set topics will continue to be held to make it easier for outside directors to identify new issues and perspectives relating to management oversight.
  4. The Nomination Committee, Audit Committee, and Compensation Committee will work to improve their mutual understanding and communication by taking an even more proactive approach to sharing and discussing issues and information pertaining to their respective Committees with the *hhc* Governance Committee.
  5. As requested by the outside directors, sessions for sharing information with corporate officers to help boost the outside directors' management oversight function will be planned and held on a priority basis.
- (b) Do and Check "Confirmation and Evaluation of the Status of Response in FY2020"
1. • The *hhc* Governance Committee has identified trends in discussions on sustainability and ESG, and has been discussing further improvements to corporate governance on a year-round basis. As a result of these efforts, the name of the existing Corporate Governance Guidelines has been changed to the Corporate Governance Principles, and the content therein has also been significantly revised. The outline of this revision is as follows.
    - (1) Stipulations now include relationships not only with shareholders but also with principal stakeholders stipulated in the Articles of Incorporation.
    - (2) It is now stipulated that value will be co-created with stakeholders.

- (3) Stipulations have been added based on the state of the Company's efforts to improve corporate governance, as well as the Corporate Governance Code of the Tokyo Stock Exchange and related matters.
- Discussions for the CEO succession plan took place in September and October 2020, and March 2021.

Information about the succession plan provided by the CEO was shared with all directors and discussions took place between outside directors and the CEO in the *hbc* Governance Committee. It was confirmed that there must be more opportunities for meetings between candidates and directors.

- A review conducted once every 3 years by an outside organization was conducted for the corporate governance evaluation. The outside organization analyzed the results and processes of the past 3 years of corporate governance evaluations. Based on a review of examples from other companies, they determined that these evaluations had been performed properly from the perspectives of comprehensiveness, fairness, and appropriateness. The same outside organization also inspected the Company's FY2020 Board of Directors evaluation processes, evaluation results and other related matters, and the results were reported to the Board of Directors.
  - Regarding dialogues with institutional investors, outside directors met with approximately 70 institutional investors for an exchange of opinions (large meeting) in December 2020. As many as 10 individual dialogues were also held with 7 institutional investor companies for exchanges of opinions and sharing of information. Note that all of these meetings and dialogues were held either online or via teleconference due to the COVID-19 pandemic. The need to further utilize knowledge gained from dialogues with institutional investors to continuously improve corporate governance was confirmed.
2. • As for engagement with employees, in addition to holding the first exchanges of opinions held between all outside directors and labor union representatives, online meetings were also held for exchanges of opinions and information sharing between outside directors and young and middle-ranking employees and researchers of the Kawashima Plant and Tsukuba Research Laboratories.
- Training sessions for new outside directors beginning their terms involved briefing sessions (11 times total) by corporate officers in charge in order to deepen their understanding of the Company.

Subject matters included the Company's business activities, the current business environment, and trends in the pharmaceutical industry.

Directors other than those just beginning their terms also voluntarily joined these briefing sessions to get the latest information.

3. This fiscal year, no forum could be arranged for open discussion without set topics. It has been confirmed that priorities of proposals to be taken up in the *hhc* Governance Committee must be made clearer, and time needs to be set aside to provide opportunities for open discussions.
4. Information sharing and discussion took place in the *hhc* Governance Committee regarding issues in the Nomination Committee (composition of the Board of Directors and diversity of directors, Requirements for the Independence and Neutrality of Outside Directors, etc.) and issues in the Compensation Committee (compensation levels of directors and corporate officers, stock-based compensation for non-executive directors, revising compensation systems for corporate officers, etc.). It was confirmed that active mutual communication will continue to take place between these various committees.
5. Information was shared and discussions held with corporate officers in charge of finance and accounting about Theory and Practical Application of ESG Strategy that Increases Corporate Value. This was the only occasion in which a place was arranged for information sharing with corporate officers. More opportunities should be arranged for communication and mutual understanding with corporate officers going forward.

(c)Act "Challenges toward FY2021"

1. Opportunities will continue to be provided for engagement between principal stakeholders (patients, shareholders, employees) and outside directors. Reflecting on dialogues that have taken place, places for discussions will be designated and efforts will be made to utilize the results of dialogues in the oversight function of the Board of Directors.
2. Free discussions with no set topics will continue to be held in the *hhc* Governance Committee to make it easier for outside directors to identify new issues and perspectives that contribute to management oversight.
3. Places for information sharing and discussion with corporate officers on issues related to non-financial capital such as sustainability and ESG are arranged within the *hhc* Governance Committee so that these issues may be monitored by the Board of Directors.

4. Regarding the CEO succession plan, there will be more opportunities for directors to connect with candidates.

Directors will be more involved with the grooming and evaluation of candidates, and there will be more in-depth discussions on what will be required for the succession process and related matters going forward.

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

#### (a) Plan “Challenges in FY2020”

1. The Nomination Committee will discuss issues relating to the selection of director candidates, including the composition of the Board of Directors, director diversity, and the independence and neutrality requirements for outside directors, taking the *hhc* Governance Committee’s discussions into consideration.
2. The Audit Committee will more clearly specify points for discussion in the audit information reported to the Board of Directors and report in a way that helps to improve the effectiveness of the Board of Directors.
3. The Compensation Committee will begin revising the compensation system for corporate officers starting with fundamental pieces of the systems, including levels and breakdown of compensation, and performance based compensation ratios, and then progress into concrete discussions of how to implement the changes.

#### (b) Do and Check “Confirmation and Evaluation of the Status of Response in FY2020”

1. Information sharing and discussion took place in the *hhc* Governance Committee meeting held in November 2020 on issues pertaining to the selection of director candidates, such as the composition of the Board of Directors, diversity of directors, and the Requirements for the Independence and Neutrality of Outside Directors, after which discussions were held in the Nomination Committee.
2. Information about matters reported by corporate officers to the Audit Committee is still being shared with directors who are not members of the Audit Committee, and points of discussion are being clearly articulated in explanations of Audit Committee reports in the Board of Directors.
3. Information sharing and discussion took place in the February 2021 meeting of the *hhc* Governance Committee on issues pertaining to officer compensation, such as compensation levels of directors and corporate officers, stock-based compensation for non-executive directors, and

revising compensation systems for corporate officers, after which discussions were held in the Compensation Committee. Specific discussions on revising compensation systems for corporate officers did not proceed, and it was decided that these discussions would continue to take place during the next fiscal year.

(c) Act “Challenges toward FY2021”

1. The Nomination Committee will proceed with tangible considerations on the diversity of directors and initiatives to secure superior outside director candidates on an ongoing basis, based on discussions held in the *hhc* Governance Committee.
2. The Audit Committee will find ways to raise the quality of the content of reports to the Board of Directors in order to enable the Board of Directors to exercise its function of management oversight. The format of audits of international and domestic subsidiaries during the COVID-19 pandemic will also be considered.
3. The Compensation Committee will proceed with specific considerations based on discussion in the *hhc* Governance Committee about revisions to the compensation system for corporate officers.

(4) Internal Controls, Risks and Other Matters Related to Corporate Governance

(a) Plan “Challenges in FY2020”

1. The establishment and operation of internal controls at overseas subsidiaries and a management framework under Head Office control will be sufficiently overseen by the Board of Directors.
2. A global whistle-blowing system, including mechanisms that enable direct whistle-blowing to the Audit Committee, will be established and enhanced.
3. Opportunities will be provided on an ongoing basis for information sharing and discussion about internal control and risk with the corporate officers assigned to the Company’s various regions.
4. The Board of Directors will oversee the handling of “Risk Factors” that are disclosed. To facilitate that oversight process, the Board of Directors will receive sufficient reports on efforts in and progress on digital transformation—a key element in achieving the “EWAY 2025” goals—this fiscal year.

(b) Do and Check “Confirmation and Evaluation of the Status of Response in FY2020”



1. Reports were received from the corporate officers in charge of the development and operation of the internal control and management systems of overseas subsidiaries and strengthening the internal control system for the Asia region at the February 2021 meeting of the Board of Directors, and discussions were held about these topics.
2. A new whistle-blowing hotline to the Audit Committee was established and went into operation in July 2020. The Company has been striving to identify and rectify improprieties and other possible violations early, establishing whistle-blowing consultation and reporting hotlines in Japan, the US, Europe, China, Asia, and other regions, as well as global hotlines to directly consult and contact Japan from all other countries where the Company operates.
3. Forums for information sharing and discussions with corporate officers in charge of various regions about internal control and risks could not be arranged in FY2020.
4. • Regular reports on the progress of initiatives related to DX (digital transformation) were received in the quarterly business execution reports.  
 Directors also received reports from the corporate officers in charge of reviewing the first half of the medium-term business plan “EWAY 2025” on DX as well as strategy and direction of specific initiatives related to DX in “EWAY Future & Beyond,” and held discussions on these matters.
- The Board of Directors received reports in the quarterly business execution reports from corporate officers on the state of efforts to address risk items disclosed in the securities report and other reports, and will continue monitoring these.

(c) Act “Challenges toward FY2021”

1. Opportunities will be provided on an ongoing basis for information sharing and discussion about internal control and risk with the corporate officers assigned to the Company’s various regions.
2. In order to strengthen quality assurance systems for the products that the Company sells, discussions will continue about how oversight and internal audits should be done for the compliance, quality control, and other matters at contractor companies that handle manufacturing, etc.

6. Third Party Review Report on Board of Directors Evaluations (Overview)

Eisai Co., Ltd. performed a review on the Board of Directors evaluation conducted in-house from the following perspectives.

- Verifying the comprehensiveness of the items in the Board of Directors evaluation survey
- Verifying the fairness and appropriateness of the evaluation methods
- Verifying the fairness and appropriateness of discussions in the *hhc* Governance Committee
- Verifying the fairness and appropriateness of Board of Directors evaluation results disclosures

When conducting this review, documents and disclosure materials provided by Eisai Co., Ltd. pertaining to the previous 2 years' worth of Board of Directors evaluations were analyzed, while information needed for the review was also obtained by sitting in on *hhc* Governance Committee meetings.

#### <Results of the Review>

- Tireless efforts are clearly being dedicated to making the governance system more in-depth through use of the risk map and stronger monitoring that can identify risks whenever they arise.
- Sincere efforts are clearly being made to improve governance in a way that boosts corporate value, as regular checks by (outside) third parties are included in the evaluation methodology, and ways to create greater transparency are being devised.
- It was determined that the FY2020 Board of Directors evaluation overall had been performed properly from the perspectives of comprehensiveness, fairness, and appropriateness.
- It is effective from the standpoint of increasing support from stakeholders to explicitly re-confirm the items in the Board of Directors evaluation survey that people such as institutional investors emphasize. More highly effective corporate governance could thus be achieved.

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

In order to deepen the understanding of the Company's business activities and business environment further, 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.).

##### a) Training Sessions for Outside Directors

- Before beginning their terms as newly appointed outside directors, these directors were provided with an overview of the Company and explanations of the Company's Corporate Philosophy, state of business, important matters concerning corporate governance, various stipulations related to officers, and more.
- After beginning their terms, outside directors were also given briefing sessions (11 times total) by corporate officers in charge in order to deepen their understanding of the Company. Subject matters included the Company's business activities, current business environment, and trends in the pharmaceutical industry. Directors other than those just beginning their terms also voluntarily joined these briefing sessions to get the latest information.
- Discussions were held with external experts (1) to share information about recent changes in the global economic environment, and (2) how the Board of Directors should operate in order to achieve the ideals of our Corporate Philosophy.

b) Communication with Corporate Officers and Employees

i ) Communication with Corporate Officers

In FY2020, discussions about EWAY Future & Beyond were held (3 times from November 2020 to February 2021) with corporate officers in charge of formulating the medium-term business plan ahead of deliberations in the Board of Directors. Sufficient time was also taken with corporate officers in charge of finance and accounting to share information and hold discussions about theory and practical application of ESG strategy that increases corporate value (March 2021).

ii ) Communication with Employees

- The committee remotely visited the Kawashima Plant, a pharmaceutical research and production facility, and the Tsukuba Research Laboratories which play a central role in our drug discovery efforts. After reviewing documents and videos detailing the histories of the plant and laboratories as well as their facilities and roles, young and middle-ranking employees and researchers then provided explanations about efforts in designing formulations, product quality assurance, and the state of the most recent research activities.

Lively dialogues and discussions then ensued.

- Exchanges of opinions were held (February 2021) with labor union representatives on behalf of employees, and the following discussions took place.

<Topics of questions from outside directors to labor union representatives>

- The state of labor negotiations and communication with the Company side
- Issues and expectations regarding workstyle during and after COVID-19
- Challenges that females face in continuing to work, and what systems are in place
- Issues and impact caused in the workplace by requests for voluntary redundancy
- What employees expect of outside directors

<Topics of questions from labor union representatives to outside directors>

- The assessment from outside the company of the Board of Directors which is more than half comprised of outside directors
- Discussions about the challenges faced by the Board of Directors and future outlook in personnel development
- The gap between the digital transformation efforts that the Company is pursuing and the actual situation on the front lines at worksites
- Discussions in the Board of Directors regarding workstyle during and after COVID-19

c) Participation in Socialization Programs (*hhc* Activities)

After making sure to take sufficient precautions against the spread of COVID-19, the committee initiated dialogues with patients who are breast cancer survivors and also have experience helping care for their mothers suffering from dementia. The dialogue helped to gain a deeper understanding of the importance of empathy with the patient's emotions, as well as the *hhc* Corporate Philosophy and its practical application.

d) 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 Board of Directors has stipulated the necessity of endeavoring to maintain favorable and smooth relationships with stakeholders in order to enhance a long-term corporate value, in the Company's "Corporate Governance Principles" which stipulates the basic guidelines regarding its corporate governance. Based on this basic guidelines, in order to deepen the mutual understanding, the Company continues to implement measures such as visit by outside directors for a dialogue with institutional investors, in

addition to the regular meetings to exchange opinions between institutional investors and outside directors.

Also, the Company has established an Information Disclosure Guidelines. In addition, as persons in charge of information disclosure, the Company has appointed the CEO, CFO, corporate officers and responsible persons for IR/PR, as well as the Company group's officers and employees designated by these persons in order to ensure the consistency and uniformity of the Company's information disclosure.

The Company discloses information on the Company's business and financial situations to shareholders and investors in an active, fair, impartial and timely manner, and promotes IR activities that contribute to further improvement of corporate value. The IR Department collaborates with relevant departments for daily operations, and holds quarterly financial result announcements and a yearly information meeting led by CEO in addition to meetings with individuals, analysts and institutional investors. Furthermore, the IR Department has been issuing the Integrated Report since FY2015 as a tool for constructive dialogue. IR activities, including feedback from investors, are reported to the Board of Directors on a regular basis, and results of periodic investigations of shareholder composition are also reported to the Board of Directors.

We thoroughly conduct information management of insider information when holding dialogues with shareholders, through internal training, non-disclosure agreements and other means.

#### [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 : 30% or more (Update)

### [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)	36,843,800	12.85
Custody Bank of Japan, Ltd. (Trust Account)	33,119,300	11.55
STATE STREET BANK AND TRUST COMPANY 505001	18,974,074	6.62
Nippon Life Insurance Company	11,781,845	4.11
Custody Bank of Japan, Ltd. (Trust Account 7)	6,913,800	2.41
Saitama Resona Bank Limited	6,300,000	2.20
Trust & Custody Services Bank, Ltd. as trustee for Mizuho Bank, Ltd. Retirement Benefit Trust Account re-entrusted by Mizuho Trust and Banking Co., Ltd.	4,437,000	1.55
STATE STREET BANK WEST CLIENT- TREATY 505234	4,259,615	1.49
The Naito Foundation	4,207,169	1.47
GOVERNMENT OF NORWAY	3,980,680	1.39

Predominant Shareholders: -----

Parent Company: Not exist

### Supplementary explanation:

- The percentage in the table is calculated in proportion to the number of shares issued and outstanding (excluding treasury stock).
- Treasury stock (9,839 thousand shares, 3.32%) has been excluded from the table as it has no voting rights.
- Although the following Large Shareholding Report (revised report) was received before the end of March 2021, in cases in which it is impossible to make confirmation with the shareholder registry for the end of March 2021,

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, 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 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)

4) 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)

5) Mizuho Bank, Ltd., all 2 companies jointly held 15,777 thousand shares (5.32%) as of January 15, 2020 (January 22, 2020, Revised Report)

6) Nomura Securities Co., Ltd., all 3 companies jointly held 18,380 thousand shares (6.20%) as of July 15, 2020 (July 21, 2020, Revised Report)

7) Banks' Shareholdings Purchase Corporation holds 14,945 thousand shares (5.04%) as of September 15, 2020 (September 23, 2020, Large Shareholdings 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]** (Update)

**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:** 12

**[Outside Directors]** (Update)

**Number of outside directors:** 8

**Number of independent directors who are outside directors:** 8

**Relationship to the company (1)**

Name	Characteristics	Relationship to the Company [*1]
Yasuhiko Katoh	Came from another company	—
Bruce Aronson	Academic	—
Shuzo Kaihori	Came from another company	—
Ryuichi Murata	Came from another company	—
Hideyo Uchiyama	Certified public accountant	—
Yumiko Miwa	Academic	—
Fumihiko Ike	Came from another company	—
Ryota Miura	Attorney	—

**[\*1] Types of relationship to the company**

- person who executes business of the company or a subsidiary
- person who executes business or a non-executive director of a parent company
- person who executes business of a fellow subsidiary
- person/entity for which the company is a major client or a person who executes business for such person/entity
- major client of the company or a person who executes business for such client

- 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)**

Name	Supplementary Explanation of Conforming Items	Supplementary Explanation of Conforming Items
Yasuhiko Katoh (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. The Nomination Committee expects that he will use his experience and abilities to objectively execute his management oversight duties.</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, chair of the Board of Directors, and chair of the <i>hbc</i> Governance Committee, (2) qualifications and capabilities as a director, (3) career background, and (4) number of</p>

Name	Supplementary Explanation of Conforming Items	Supplementary Explanation of Conforming Items
		<p>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></p> <p>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.</p> <p>The Nomination Committee has confirmed that he meets the conditions for outside directors stipulated by the Companies Act and the “Requirements for the Independence and Neutrality of Outside Directors” established by the Nomination Committee, and that there is no related obstacle, problem or other circumstance that would impair his ability to execute his duties as an outside director.</p> <p>In addition, he does not fall under any of the requirements of Article 211 Clause 4 Item 5 of the Ordinance for Enforcement of Securities Listing Regulations.</p>
Bruce Aronson (Independent officer for notifications to stock	Meeting “Requirements for the Independence and Neutrality of Outside	<p><b>&lt;Reason for Selection&gt;</b></p> <p>Mr. Aronson is a practicing attorney and a legal academic with a focus on international comparative corporate governance. Although he has not been directly involved with management, he has</p>

Name	Supplementary Explanation of Conforming Items	Supplementary Explanation of Conforming Items
exchanges)	Directors” that were stipulated by the Nomination Committee. (See the final page for details.)	<p>deep knowledge about corporate governance and legal affairs, as well as a high level of insight into management and excellent supervisory capabilities. The Nomination Committee expects that he will use his experience and capabilities to objectively execute his management oversight duties.</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 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></p> <p>Mr. Aronson is not concurrently employed by any company or organization with a relationship of interest with the Company or its subsidiaries and associated companies.</p> <p>The Nomination Committee has confirmed that he meets the conditions for outside directors stipulated by the Companies Act</p>

Name	Supplementary Explanation of Conforming Items	Supplementary Explanation of Conforming Items
		<p>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>
Shuzo Kaihori (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. 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 and excellent supervisory capabilities. The Nomination Committee expects that he will use his experience and capabilities to objectively execute his management oversight duties. 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</p>

Name	Supplementary Explanation of Conforming Items	Supplementary Explanation of Conforming Items
		<p>and is suitable as a director of the Company, the Nomination Committee has nominated him to continue from the previous year serving as an outside director.</p> <p><b>&lt;Policy for Independence and Neutrality&gt;</b></p> <p>Mr. 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 the 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>

Name	Supplementary Explanation of Conforming Items	Supplementary Explanation of Conforming Items
Ryuichi Murata (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>  Mr. Murata has abundant experience as a top executive of companies in the finance and leasing industries. He has a high level of insight into management and excellent supervisory capabilities. The Nomination Committee expects that he will use his experience and abilities to objectively execute his management oversight duties. 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 (currently Mitsubishi HC Capital Inc.). 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</p>

Name	Supplementary Explanation of Conforming Items	Supplementary Explanation of Conforming Items
		<p>UFJ, Ltd. (now MUFG Bank, Ltd.). However, he retired from said position as officer in June 2009 and meets the Company's "Requirements for the Independence and Neutrality of Outside Directors."</p> <p>In addition, he serves as an outside director of Kintetsu Group Holdings Co., Ltd. Although there is a history of transaction between the Company and Kinki Nippon Tourist Co., Ltd., which is a subsidiary of said company, the amount was 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>



Name	Supplementary Explanation of Conforming Items	Supplementary Explanation of Conforming Items
Hideyo Uchiyama (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>  Mr. Uchiyama has expertise and experience as a certified public accountant. 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. The Nomination Committee expects that he will use his experience and abilities to objectively execute his management oversight duties.</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 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</p>

Name	Supplementary Explanation of Conforming Items	Supplementary Explanation of Conforming Items
		<p>of Asahi Tax Corporation. However, there is no transactional relationship between said company and the Company.</p> <p>He serves as an outside director 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).</p> <p>He also serves as an outside audit &amp; supervisory 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>

Name	Supplementary Explanation of Conforming Items	Supplementary Explanation of Conforming Items
Yumiko Miwa (Independent officer for notification to stock exchanges)	Meeting “Requirements for the Independence and Neutrality of Outside Directors” that were stipulated by the Nomination Committee. (See the final page for details.)	<p><b>&lt;Reason for Selection&gt;</b>  Ms.Miwa is a specialist in ESG and corporate governance. Although she has not been directly involved with management, her field of research has given her deep knowledge of ESG, corporate governance, and socially responsible investment, that gives her a high level of insight into management and excellent supervisory capabilities. The Nomination Committee expects that she will use her knowledge and abilities to objectively execute her management oversight duties.</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 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.Miwa is not concurrently employed by any company or organization with a relationship of interest with the Company or its subsidiaries and associated</p>

Name	Supplementary Explanation of Conforming Items	Supplementary Explanation of Conforming Items
		<p>companies.</p> <p>The Nomination Committee has confirmed that she meets the conditions for outside directors stipulated by the Companies Act and the “Requirements for the Independence and Neutrality of Outside Directors” established by the Nomination 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, 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>
Fumihiko Ike (Independent officer for notification to stock exchanges)	Meeting “Requirements for the Independence and Neutrality of Outside Directors” that were stipulated by the Nomination Committee. (See the final page for details.)	<p><b>&lt;Reason for Selection&gt;</b></p> <p>Mr. Ike has a wealth of experience as the top executive of a global corporation in the automobile industry, as well as a high level of insight into management and excellent supervisory ability. The Nomination Committee expects that he will use his experience and abilities to objectively execute his management oversight duties. 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) qualifications and capabilities as a director and (2) career background, etc.</p> <p>Having determined that he is capable of objectively executing his management oversight duties and is suitable as a</p>

Name	Supplementary Explanation of Conforming Items	Supplementary Explanation of Conforming Items
		<p>director of the Company, the Nomination Committee has nominated him as a new outside director.</p> <p><b>&lt;Policy for Independence and Neutrality&gt;</b>  Mr. Ike has experience serving as an officer of Honda Motor Co., Ltd., but there is no transactional relationship between said company and the Company.  Furthermore, he currently serves as an outside director of NTT DATA Corporation, but there is no transactional relationship between said company and the Company.  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.  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>
Ryota Miura (Independent officer for notifications to stockholders)	Meeting “Requirements for the Independence and Neutrality of Outside Directors” that	<p><b>&lt;Reason for Selection&gt;</b>  Mr. Miura 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 officer for another company and has abundant experience related to corporate law, giving</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>him a high level of insight into management and excellent supervisory ability. The Nomination Committee expects that he will use his experience and abilities to objectively execute his management oversight duties.</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) qualifications and capabilities as a director and (2) career background, 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 as a new outside director.</p> <p><b>&lt;Policy for Independence and Neutrality&gt;</b></p> <p>Mr. Miura is a partner at the law firm Miura &amp; Partners, but there is no transactional relationship between said firm and the Company.</p> <p>He also serves as an outside director and corporate auditor of TechMatrix Corporation and an outside audit &amp; supervisory board member of Tokyo Electron Limited, but there is no steady transactional partnership between either company and the Company.</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</p>

Name	Supplementary Explanation of Conforming Items	Supplementary Explanation of Conforming Items
		<p>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] (Update)**

**Committee composition and attributes of chair**

	All Members	Full-time Members	Inside Directors	Outside Directors	Committee Chair
Nomination Committee	4	0	0	4	Outside director
Compensation Committee	4	0	0	4	Outside director
Audit Committee	5	0	2	3	Outside director

**[Corporate Officers] (Update)**

**Number of Corporate Officers : 30**

**Status of additional duties**

Name	Representative Authority	Additional Duties as Director			Additional Duties as Employee
			Nomination Committee Member	Compensation Committee Member	
Haruo Naito	Yes	Yes	No	No	No
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
Tatsuyuki Yasuno	No	No	No	No	No
Yanhui Feng	No	No	No	No	No
Masatomi Akana	No	No	No	No	No
Kazumasa Nagayama	No	No	No	No	No
Takashi Owa	No	No	No	No	Yes
Lynn Kramer	No	No	No	No	Yes
Sayoko Sasaki	No	No	No	No	Yes
Teiji Kimura	No	No	No	No	Yes



Name	Representative Authority	Additional Duties as Director			Additional Duties as Employee
			Nomination Committee Member	Compensation Committee Member	
Masayuki Miyajima	No	No	No	No	Yes
Alexander Scott	No	No	No	No	Yes
Mitsuaki Tanaka	No	No	No	No	Yes
Shohei Kanazawa	No	No	No	No	Yes
Akiko Nakahama	No	No	No	No	Yes
Yosuke Akita	No	No	No	No	No
Kappei Tsukahara	No	No	No	No	Yes
Hiroyuki Murayama	No	No	No	No	Yes
Keisuke Naito	No	No	No	No	Yes
Eriko Naito	No	No	No	No	Yes
Kazuhiko Tamura	No	No	No	No	Yes
Akiyuki Masaka	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).
- The Audit Committee received information on important audit procedures carried out by the Accounting Auditor, including the results.
- 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 Financial Instruments and Exchange Act of Japan requires companies to list “Key Audit Matters” (KAM) in the third-party audit reports accompanying their securities reports. The Audit Committee consulted with the Accounting Auditor on the information for inclusion in the KAM and requested explanations as necessary.
- 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 audit activities in relation to the corporate officer responsible for internal audits and the internal audit [\*1] department, as well as the corporate officer responsible for internal control and the Risk Management and Corporate Internal Control Departments.

- The Audit Committee obtained annual audit plans and the results of individual audits carried out by the internal audit departments of the Group companies and shared information related to overall auditing activities through monthly meetings between Audit Committee members, the corporate officer responsible for internal audits, and the Corporate Internal Audit Department.

The Audit Committee also promptly shares information regarding any matters of urgency that may arise in relation to internal audits.

- The Audit Committee obtained information on risk-management activities and efforts to promote internal controls through regular meetings of Audit Committee members, the corporate officer responsible for internal control, and the Corporate Compliance and Risk Management Department.
- 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 received regular reports from the Corporate Compliance and Risk Management Department on the state of operation of the Compliance Counter.

[\*1] In order to strengthen independence, the Company has set up the Corporate Internal Audit Department, which is overseen by the corporate officer responsible for internal audits, and works with the internal audit departments in each region (Japan, the United States, Europe, China, Asia, etc.) 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 regularly reported to the Board of Directors, the Audit Committee, and the Executive Board. Further, in addition to evaluating the establishment and operation of internal control related to financial reports required by the Financial Instruments and Exchange Act of Japan, we conduct

environment and safety audits at multiple business sites from the perspective of compliance with the Industrial Safety and Health Act and other diverse laws and regulations. All of FY2020 was affected by COVID-19, but we were able to conduct internal audit activities according to plan by implementing remote audits using video and utilizing local outside specialized organizations overseas. In addition, we have established opportunities to share information with the Accounting Auditor on a regular basis and are striving to collaborate toward accurate and efficient internal audits.

The internal audit departments receive evaluations by an external evaluation committee composed of outside experts. These evaluations found that the departments were conducting high-quality internal audit activities that complied with the global standards developed by The Institute of Internal Auditors (IIA), which is headquartered in the United States.

**[Independent directors] (Update)**

**Number of independent directors:** 8

**Other matters regarding independent directors**

Since Eisai's eight 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 eight 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 FY2020 are the following 5 individuals. The total amounts for each are given below.

Haruo Naito Representative Corporate Officer and CEO ¥120 million

Gary Hendler Senior Vice President ¥156 million

Yanhui Feng Senior Vice President ¥125 million

Lynn Kramer Vice President ¥186 million

Alexander Scott Vice President ¥153 million

\*Gary Hendler receives compensation from Eisai Europe Ltd. (U.K.), while Lynn Kramer and Alexander Scott each receive compensation from Eisai Inc. (U.S.A.). Yanhui Feng receives compensation from Eisai China Inc. (China). The compensation for each is based on the decision of the Compensation Committee. 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.

The Compensation Committee may also deliberate on compensation, etc., for directors and corporate officers separately and take exceptional measures in cases where it deems such action necessary.

### **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 and paid on a monthly basis..
- 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 by position and paid on a monthly basis.
- 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.

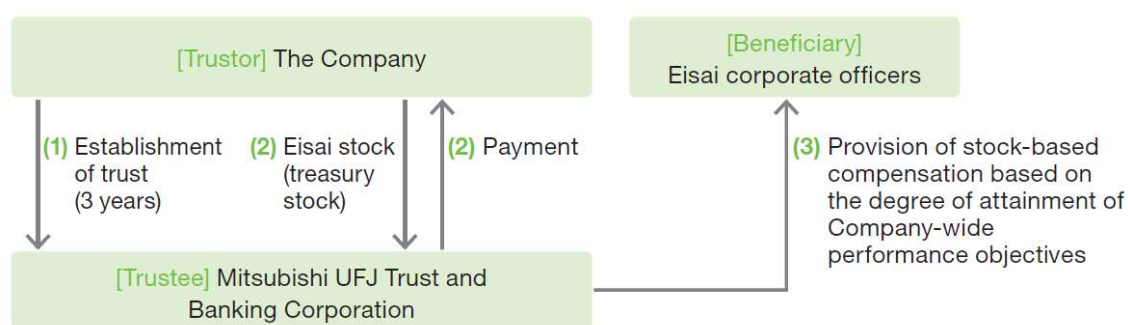


In the case of compensation, etc., for corporate officers who have been appointed from an overseas subsidiary and corporate officers who have advanced specializations or qualifications, etc., the compensation paid is determined on an individual basis considering differences in local compensations systems, 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)





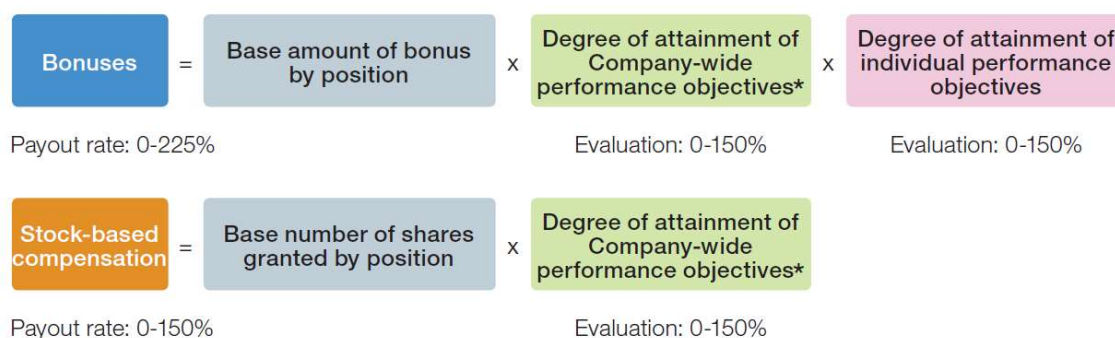
The Company's stock-based compensation system is a medium- to long-term incentive plan that provides stock-based compensation to corporate officers through a trust based on the degree of attainment of Company-wide performance objectives.

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 FY2020 (from April 1, 2020, to March 31, 2021) was as indicated below.

Total FY2020 Officer Compensation

	Base compensation		Performance-based compensation				Total	
	Number of recipients (No. of officers)	Amount (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	—	—	—	—	3	113
Directors (outside)	8	93	—	—	—	—	8	93
Corporate officers	27	787	27	193	27	69	27	1,049
Total	38	994	27	193	27	69	38	1,255

(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 FY2020.

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 2021 to eligible corporate officers for the period from April 2020 through March 2021, together with the total value of bonus payments paid in July 2020 to eligible corporate officers for the period from April 2019 through March 2020, less the value of the reserve for bonus payments disclosed in the business report for FY2019.

4 Figures for stock-based compensation of corporate officers are the total figures representing the total value of planned accrued stock-based compensation to be granted in July 2021 to eligible corporate officers for the period from April 2020 through March 2021, together with the total value of stock-based compensation, etc., granted in July 2020 for the period from April 2019 through March 2020, less the value of the reserve for stock-based compensation disclosed in the business report for FY2019. 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.
- 6 A total of 11,973 shares of the Company's stock were granted to 24 corporate officers as compensation for the execution of duties during the fiscal year under review, in accordance with the decision of the Compensation Committee. In regard to the stock-based compensation of corporate officers, half of the shares granted based on the decision of the Compensation Committee according to the degree of attainment of Company-wide performance objectives is granted as stock, and half is converted within the trust then paid as a monetary amount equivalent to the shares converted to cash.
- 7 See the table on page 110 for the performance indicators (consolidated revenue, consolidated operating profit, consolidated profit for the year (attributable to the parent company), and consolidated ROE) used to calculate performance-based compensation during this fiscal year.
- 8 Three outside directors who are members of the Compensation Committee examined and deliberated on the contents of the individual compensation, etc., for directors and corporate officers related to the current fiscal year and confirmed that they conform to the basic policy for compensation, etc., determined by the Committee.

### **[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 *hhc* Governance Committee**

The Board of Directors Secretariat carries out the following secretariat duties for the Nomination Committee, Compensation Committee, and *hbc* Governance Committee.

- 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 (Update)**

### **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 (12 directors (including 1 woman); 8 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 will make efforts to apply a multi-dimensional risk management approach to the business execution by the Corporate Officers, and will oversee the system design and operation of internal control measures by the Corporate Officers
- e. 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.
- f. 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.
- g. 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).
- h. 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.
- i. The Board of Directors and Corporate Officers shall fulfill their

responsibilities, and have communication.

- (2) Nomination Committee (4 Members, all of whom must be outside directors; the chairman shall be an outside director, appointed for a term of one year)
  - a. Determine the content of the proposals related to the selection or retirement of directors made to the General Meeting of Shareholders.
  - b. Based on the awareness that the viability of the Company's corporate governance system is supported by the presence of outside directors who constitute a majority of the Board of Directors, establish the "Requirements for the Independence and Neutrality of Outside Directors" for the selection of independent and neutral outside directors.
  - c. Decide on director candidates with diverse backgrounds to enable the Board of Directors to meet the expectations of various stakeholders as well as demonstrate oversight functions.
  - d. 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. Audit the execution of duties by directors and corporate officers, create audit reports, and execute accounting audits and other matters stipulated by applicable laws.
  - b. Determine proposals related to the selection, dismissal, and non-reappointment of accounting auditors to be submitted to the General Meeting of Shareholders.
  - c. Confirm that the Accounting Auditor's independence is assured, and that the quality control of audits is managed systematically, and make effort to collect relevant information regarding an audit corporation other than the Company's Accounting Auditor.
  - d. Endeavor to achieve efficient and higher quality auditing, e.g., by receiving timely and appropriate reports from the officers and employees of the Group and the Accounting Auditor of the Company related to the execution of their duties, as well as by investigating the business and assets of the Group and sharing necessary information with the Accounting Auditor and internal audit



department.

- e. Establish basic policies, rules, and procedures, etc., necessary for the execution of its duties, and review them each year.
  - f. Ensure the objectivity of audits by guaranteeing the independence of the Management Audit Department, which executes duties under the resolution of the Audit Committee and the direction of members of the Committee, from corporate officers in relation to directions related to the execution of their duties, personnel evaluations, etc.
- (4) Compensation Committee (4 Members, all of whom must be outside directors; the chairman shall be an outside director, appointed for a term of one year)
- a. Determine the policy related to deciding the content of the compensation, etc., of directors and corporate officers and the content of the compensation, etc., for each individual with fairness and transparency.
  - b. Make the compensation, etc., of directors those that are deserving of directors who can sufficiently exhibit the oversight functions of management, and determine the content of the compensation, etc., of corporate officers by making it that which will strongly motivate corporate officers in the performance of their duties and by giving consideration to the degree of attainment of performance indexes.
  - c. Actively utilize outside research data, etc., as well as examine the adequacy of the process for determining compensation, etc., in order to ensure objectivity in the compensation, etc., of directors and corporate officers.
  - d. Establish basic policies, rules, procedures, etc., necessary for the execution of the duties of the Compensation Committee.

(5) *hhc* Governance Committee

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

The Composition and Roles of the *hhc* Governance Committee is as follows.

- a. Actively engage in dialogue with stakeholders and use the knowledge gained to improve discussions in the Board of Directors.
- b. Share information and provide advice and other recommendations regarding the Representative Corporate Officer and CEO's proposed plans for grooming candidates to fill the role of Representative Corporate Officer and CEO in the future.

- c. Evaluate the effectiveness of the management oversight function of the Board of Directors. If any issues emerge in the operations of the Board of Directors or other boards or committees, propose the relevant improvements to the Board of Directors.
- d. Carry out broad discussions on the Company's corporate governance and business matters, and work to make continuing improvements to the Company's corporate governance.

(6) Independent Committee of Outside Directors (ICOD)

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

Regarding the "Policy for Protection of the Company's Corporate Value and Common Interests of Shareholders" (hereinafter "the Policy"), the Independent Committee of Outside Directors gathers objective information, etc., from outside advisors on acquisitions of companies, shares the latest information on legal systems and other cases, etc., in Japan and overseas, and shares information related to the opinions obtained through discussions between outside directors and institutional investors, as well as the status of the exercise of voting rights, and deliberates on and considers whether to maintain, revise, or abolish the Policy accordingly.

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

	Supplementary Explanation
	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

	Supplementary Explanation	Explanation from Representative
Post IR materials on the website.	<p>A website for shareholders and investors has been created on the company website. Along with posting the articles of incorporation, financial statements, reference materials, and materials of explanation meetings for analysts and institutional investors, videos of representatives from explanation meetings are posted in both Japanese and English as soon as they are released. In addition, performance highlights / research and development status summarizing the status of business performance and research and development, the Integrated Report, yearly IR 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>	Yes
Establish departments (responsible parties) for IR.	<p>Investor Relations Department is set up under the Corporate Officer of Investor Relations.</p> <p>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 (Update)

	Supplementary Explanation
Rules regarding consideration of the standpoint of stakeholders through company regulations, etc.	<p>Consideration of the standpoint of stakeholders is clearly prescribed in Eisai's corporate philosophy which has been established in the text of the articles of incorporation. A summary is given below.</p> <p>Eisai believes that its stakeholders are patients and their families, shareholders, and our employees. Through the following activities, Eisai strives to increase the value for our stakeholders as well as develop and maintain good relationships.</p> <ol style="list-style-type: none"> <li>1. Satisfying unmet medical needs, ensuring stable supply of high-quality products, and providing useful information on safety and efficacy</li> <li>2. Timely disclosure of corporate managerial information, enhancement of corporate value, and proactive return to shareholders</li> <li>3. Ensuring stable employment, offering challenging and fulfilling duties, and providing full opportunities for the development and enhancement of employees' capabilities</li> </ol> <p>The Company aims to nurture human assets who can continually generate innovation even under a rapidly-changing business environment. (The Company sees employees as important assets and refers to human resources as "human assets.") The foundation of the Company's human resources development is having each employee gain an understanding of the true needs of patients through sharing time with them. This generates motivation to know the joys and sorrows of patients and to create solutions to eliminate their anxieties. The Company has incorporated sharing with patients in a variety of internal training programs and is strengthening human resources development. To open the way for the vision of the medium-term business plan "EWAY Future &amp; Beyond," the Company promotes self-innovation and work to develop independent human resources with a sense of ownership.</p> <p>In FY2020, as group, in-person training became difficult due to the COVID-19 pandemic, we executed various training online. Utilizing the benefits of online sessions, each training session was short and the content was given continuity, with sessions</p>

	Supplementary Explanation
	<p>being held regularly. Furthermore, due to an increase in those working remotely from home, we needed to implement a reform of our management style. In FY2020, we held practical management courses with a focus on department managers, and we are promoting initiatives to revitalize communication within organizations.</p> <p>In addition, in October 2012, the Eisai Group released the “Eisai Diversity Declaration” and worked to familiarize all officers and employees with the Declaration. We have established the diversity committee, and 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.</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 <i>hhc</i> 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.</p> <p>Among ESGs, in particular, Eisai considers making efforts to resolve the global issue of access to medicines to be its duty as well as a long-term investment for the future. Eisai is promoting such efforts proactively under public-private partnerships with governments, international organizations, private non-profit organizations and others. For the elimination of lymphatic filariasis, a neglected tropical disease endemic in developing and emerging countries, the Group is providing the lymphatic filariasis treatment diethylcarbamazine (DEC) tablets to the World Health Organization (WHO) for price zero (free of</p>



	Supplementary Explanation
	<p>charge). These DEC tablets are manufactured at the Group's Vizag Plant in India. The Group will continue to supply DEC tablets until lymphatic filariasis is eliminated in all endemic countries that need DEC tablets. As of the end of March 2021, 2.01 billion tablets had been supplied to 28 countries.</p> <p>Furthermore, the Group is carrying out new drug development for tuberculosis, malaria and other neglected tropical diseases such as Mycetoma. The Group is also supporting activities raise awareness and enable early detection of non-infectious diseases, such as dementia and cancer. Affordable pricing, which makes it easier for patients to purchase medication, and tiered pricing, which sets prices according to income levels, are also being implemented as part of activities carried out by the Group to improve access to medicines around the world.</p> <p>Regarding the environment, Eisai has set a scientifically-based greenhouse gas reduction target for FY 2030 and obtained approval from the Science Based Targets (SBT) initiative. In addition, the entire Group is actively working for the formation of a low-carbon society with initiatives such as systematically increasing the rate of renewable energy. Furthermore, the Group has endorsed the TCFD (Task Force on Climate-related Financial Disclosure), an international framework for analyzing the risks and opportunities of climate change impacts on companies, and disclosed the results of our analysis of the financial impact of climate change based on this framework. The Company have also set medium- and long-term goals of achieving 100% renewable energy use by 2030 and carbon neutrality by 2040. In the future, the Company will promote the effort to achieve carbon neutrality and disclose the results.</p> <p>Regarding human rights, the Group has been working on further to improve non-financial value by creating a human rights policy and constructing a due diligence mechanism based on the United Nations "Guiding Principles on Business and Human Rights", which is internationally recognized as a guideline.</p> <p>Information regarding non-financial value of the Group, including ESG, is disclosed in the Integrated Report and Environmental Report, based on the framework of the IIRC</p>

	Supplementary Explanation
	(International Integrated Reporting Council). <a href="https://www.eisai.com/ir/library/annual/index.html">https://www.eisai.com/ir/library/annual/index.html</a>

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

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

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 oversight, supervision 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) Matters or information other than the above (1) through (7) that may cause the ENW Entity serious damage or have significant effect ;
- (9) Facts that Officers and employees of the ENW Entity, who made reports or provided information pursuant to Sections through 2 to 6 of this

Article, were treated disadvantageously because they made the reports or provided the information; and

(10) Other matters to be reported as stipulated by the Audit Committee of the Company.

\*1 “oversight” shall mean having the general oversight responsibility as the head of the reporting line.

\*2 “supervision” shall mean having supervision of the relevant organization or business not as the head of the reporting line.

\*3 “management” shall mean having a grasp of the situation by receiving report(s) from the relevant business or organization.

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 within 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\*1, supervise\*2 and manage\*3 each ENW Entity other than the Company. “Officers of ENW Entities, who execute business operations” shall mean Corporate Officers of the Company and directors of the ENW Entities other than the Company.

\*1 “oversee” shall mean having the general oversight responsibility as the head of the reporting line.

\*2 “supervise” shall mean having supervision of the relevant organization or business not as the head of the reporting line.

\*3 “manage” shall mean having a grasp of the situation by receiving report(s) from the relevant business or organization.

(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 for such assigned duties.
- 3 The Corporate Officer of the Company shall perform such 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, who shall supervise ENW with respect to and be in charge of storage and management of information related to the performance of duties of Corporate Officers of the Company, and shall have such Corporate Officer establish a system and necessary rules on storage and management of information.

- 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 information, and report the status thereof 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, product quality and adverse effect, 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 the Representative Corporate Officer and CEO 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 establish and operate 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 and operate 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 Officers of ENW Entities, who execute business operations, and employees of ENW Entities is in accordance with laws and the 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 Officers of ENW Entities, who execute business operations, and employees of ENW Entities is in accordance with laws and the 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 Officers of ENW Entities, who execute business operations, and employees of ENW Entities take actions in compliance with laws and the Articles of Incorporation, and promote compliance by taking necessary measures such as training of Officers of ENW Entities, who execute business operations, 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 and reporting of compliance matters 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 Officers of ENW Entities, who execute business operations, and employees of ENW Entities strictly observe such policy and use their best efforts on a daily basis in their conduct in this regard.

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 and operation 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 and operation 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 and operation 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 and operation 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 18, 2021, 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, 2021, based on this resolution.

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

#### 1. 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.

#### 2. 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.

### 3. 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 disclosure 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 Officer → CEO → Board of Directors

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

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

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

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

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

Securities reports, etc. are disclosed via the following procedure. After related sections draft and the accounting section coordinates, the Chief Financial Officer reviews the proposal and CEO approves the report, etc.



### **[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

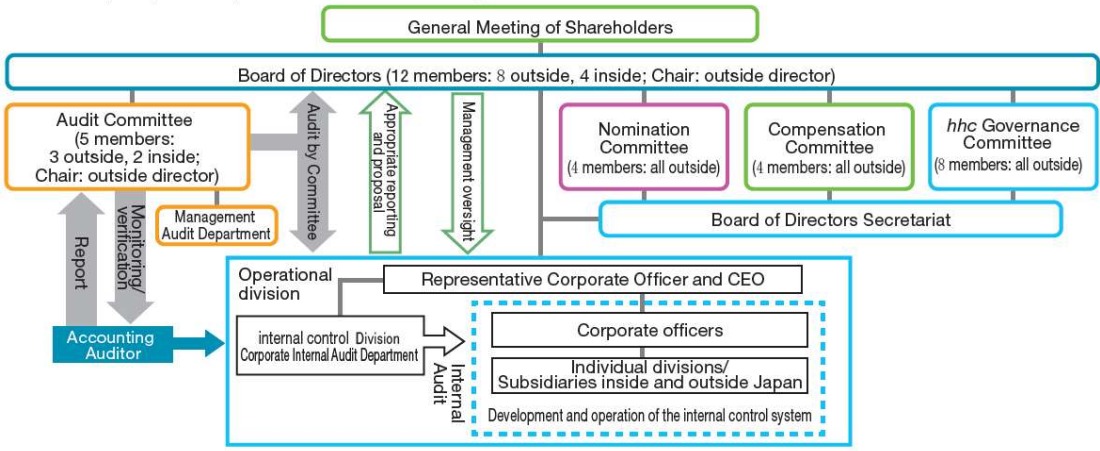
Management Committee meeting and decide on how to manage internal information while working to prevent insider trading issues.

Sections                      Public              Corporate Officer  
with the                      Relations              in charge of  
information  $\Leftrightarrow$  section  $\rightarrow$  public relations  $\rightarrow$  CEO  $\rightarrow$  Disclosure



[Appendices] (Update)

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.