



## **Mitsubishi Tanabe Pharma Corporation**

Opinion Sharing Meeting on ESG

September 27, 2019

## Event Summary

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<b>[Company Name]</b>	Mitsubishi Tanabe Pharma Corporation	
<b>[Event Type]</b>	Analyst Meeting	
<b>[Event Name]</b>	Opinion Sharing Meeting on ESG	
<b>[Fiscal Period]</b>		
<b>[Date]</b>	September 27, 2019	
<b>[Number of Pages]</b>	38	
<b>[Time]</b>	15:00 – 16:33 (Total: 93 minutes, Presentation: 30 minutes, Q&A: 63 minutes)	
<b>[Venue]</b>	2F 17-10 Koamicho Nihonbashi Chuo-ku, Tokyo 103-8405	
<b>[Venue Size]</b>	250 m <sup>2</sup>	
<b>[Participants]</b>	24	
<b>[Number of Speakers]</b>	4	
	Masayuki Mitsuka	President, Representative Director, and CEO
	Takashi Kobayashi	Representative Director and Senior Managing Executive Officer
	Eizo Tabaru	Member of the Board, Managing Executive Officer, and CFO
	Yoshiaki Takai	Vice President and Head of Corporate Communications Department
	Tsukuri Akiyama	Deloitte Touche Tohmatsu LLC ESG/Integrated Reporting Advisory Senior Manager, CPA
<b>[Analyst Names]</b>	Shinichiro Hyogo	Mitsubishi UFJ Trust and Banking
	Shinichi Kohguchi	Sumitomo Mitsui Trust Asset Management
	Kazuaki Hashiguchi	Daiwa Securities
	Maito Yamamoto	Nissay Asset Management
	Madoka Sato	Schroder Investment Management
	Katsuya Kikuchi	Tokio Marine Asset Management
	Kensuke Chiyo	Sumitomo Mitsui DS Asset Management

# Presentation

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**Mitsuka:** Ladies and gentlemen, this is Masayuki Mitsuka, the president of Mitsubishi Tanabe Pharma Corporation. Thank you very much for joining us at the opinion sharing meeting on ESG. This is the first time that we hold this type of meeting. We would like to make this meeting as interactive as possible, so that this will be an opportunity to deepen our future endeavors.

## Agenda



### 1 Value Creation Process and Material Issues

Masayuki Mitsuka, President & Representative Director

### 2 ESG Efforts

Takashi Kobayashi, Representative Director,  
Senior Managing Executive Officer

G: Corporate governance

S: Diversity and inclusion / health management / corporate citizenship activity

E: Environmental efforts

### 3 Opinion Sharing/Questions and Answers

Facilitator, Tsukuri Akiyama, Deloitte Touche Tohmatsu LLC  
ESG/Integrated Reporting Advisory Senior Manager, CPA

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This shows today's agenda. First, I would like to explain how we can deliver value to society through business and material issues. Then, Takashi Kobayashi will explain ESG efforts and share opinions and take questions from you.

During the discussion, as a third party, from Deloitte Tohmatsu, we have Mr. Tsukuri Akiyama, who will serve as a facilitator and he will also give us some experts views to deepen our discussion. So, let me start with the value creation process and material issues.

## Corporate Philosophy

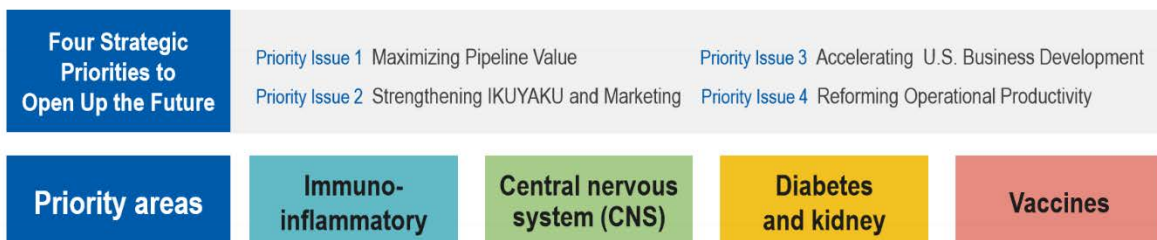
**We contribute to the healthier  
lives of people around the world  
through the creation of pharmaceuticals**

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Our corporate philosophy is we contribute to the healthier lives of people around the world, through the creation of pharmaceuticals. We are contributing to the health of the people in the world by providing high-value-added pharmaceuticals. We are currently promoting businesses based on the Medium-Term Management Plan 16-20 Open Up the Future.

## Medium-Term Management Plan 16–20

# *Open Up the Future*



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This slide shows four strategic priorities and priority areas. By implementing product strategies in these areas, we are engaged in various activities to deliver pharmaceuticals with unique value to the people in the world as soon as possible.

## Value in contribution to society

# Extension of healthy life expectancy

### Therapy

Improvement of quality of life  
for patients and their families

### Prevention

Prevention of worsening  
of diseases and infection

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As social requirements, especially those pharmaceutical companies should fulfill, become more diverse, we have been discussing what kind of values we can provide to society. We started this discussion two years ago and as a result, we have come to one of the key phrases, which is the extension of healthy life expectancy. The products and services that we provide match these this key phrase, which is the extension of healthy life expectancy.

Therefore, on the next slides, I'd like to give you some examples from the perspectives of therapy and prevention.

**Therapy** Improvement of quality of life for patients and their families

Immuno-inflammatory	<b>Remicade</b> (Rheumatoid arthritis, etc.)	<ul style="list-style-type: none"> <li>World's first anti-TNF<math>\alpha</math> monoclonal antibody</li> <li>Inhibiting joint destruction and severe pain in joints to contribute to improving patients' QOL</li> </ul>
	<b>MT-5547</b> (Osteoarthritis)	<ul style="list-style-type: none"> <li>Under clinical development</li> </ul> 〈Unmet Medical Needs〉 <ul style="list-style-type: none"> <li>Treatment with better analgesic effects with fewer adverse effects than existing therapies</li> </ul>
Central nervous system (CNS)	<b>Radicava/ Radicut</b> (ALS)	<ul style="list-style-type: none"> <li>A free-radical scavenger discovered by Mitsubishi Tanabe Pharma</li> <li>The first ALS drug in approximately 20 years in the U.S., which inhibits disease progression</li> </ul>
	<b>ND0612</b> (Parkinson's disease)	<ul style="list-style-type: none"> <li>Under clinical development</li> <li>Drug-device combination</li> </ul> 〈Unmet Medical Needs〉 <ul style="list-style-type: none"> <li>Improvement of symptoms, such as involuntary movement, that cannot be controlled with standard therapy</li> </ul>

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First is the perspective of therapy. We believe we can contribute to the improvement of the quality of life for patients and their families, which is important for the extension of their healthy life expectancy, by providing remedies that satisfy unmet medical needs.

Now, the extension of healthy life expectancy is not just longer lives but to be able to enjoy life as human beings, which is very important. For that purpose, it is important to improve situations, such as restricted physical function due to the symptoms of diseases, or impediments to daily lives because of the therapies or lack of therapies.

One of our products, for example, Remicade, helps improve the locomotive syndrome—standing up and walking through the therapies. There are products like that and also some products in our pipeline. With Radicava, we are trying to challenge intractable diseases. Another example is ND0612, which is a unique product that we are developing, and this would enable therapy using a portable pump, without any impact on daily lives. These contributions to patients, through the therapies also help their families and people supporting the patients to enrich their daily lives. And also, could lead to the improvement of the labor participation rate and productivity in society.

**Prevention** Prevention of worsening of diseases and infection

Diabetes and kidney	Canaglu/ Invokana (Type 2 diabetes mellitus)	<ul style="list-style-type: none"> <li>SGLT2 inhibitor discovered by Mitsubishi Tanabe Pharma</li> <li>Global evidence for the prevention of renal or CV events in patients with diabetic nephropathy was presented.</li> </ul>
	MT-6548 (Renal anemia)	<ul style="list-style-type: none"> <li>Japan : application filed</li> <li>The efficacy and safety of once-daily oral administration for improvement of anemia were confirmed.</li> </ul> <p>〈Unmet Medical Needs〉</p> <ul style="list-style-type: none"> <li>New treatment options that differ from traditional injectable agents</li> </ul>
Vaccines	Seasonal influenza rubella, measles varicella, etc.	<ul style="list-style-type: none"> <li>We sell vaccines developed and manufactured by the BIKEN Foundation.*1</li> <li>Preventive vaccination and vaccines are essential to healthcare to protect lives and public safety.</li> </ul>
	MT-2271 (Seasonal influenza)	<ul style="list-style-type: none"> <li>Under clinical development</li> <li>Use Plant-based virus-like particle (VLP)</li> </ul> <p>〈Unmet Medical Needs〉</p> <ul style="list-style-type: none"> <li>Vaccines superior in safety and duration of production</li> </ul>

※1 The Research Foundation for Microbial Diseases of Osaka University 8

Next, the second point, prevention. For the extension of healthy life expectancy, it is necessary to reduce the number of sick people. Prevention will gain further importance from the aspect of a sustainable social welfare system, including reductions of medical costs.

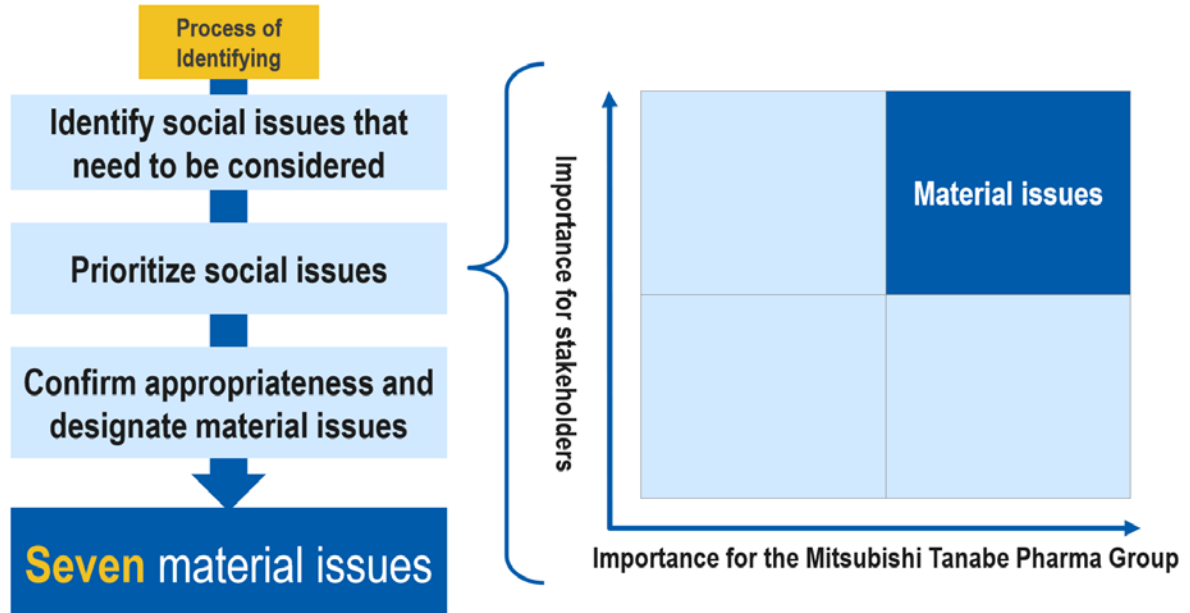
Diabetes, one of the representative lifestyle-related diseases will advance to diabetic nephropathy and other complications. Chronic kidney disease progresses to dialysis or severe anemia and presents with various symptoms, which hampers the activity of daily living. The Company's original diabetes medication, Canaglu, is sold under the name of INVOKANA overseas, and its large-scale clinical studies showed evidence to suppress the progression of the disease to diabetic nephropathy, which is an epoch-making result. That means that there is a possibility that it will be able to prevent the advance of diabetic disease.

We also have a vaccine business. Due to global warming, there is global concern about an increase in mosquito-borne infectious disease. Demands for an inexpensive vaccine will increase. As a company selling vaccines, we must sincerely consider the importance of vaccines, because this can be a measure against climate change. We think that it is very important for us to take this into consideration.



## Process of Identifying Material Issues

After clarifying our intention to contribute to the realization of a sustainable society by providing value to society through our business, our company has identified key issues to be addressed by the company as “material issues”



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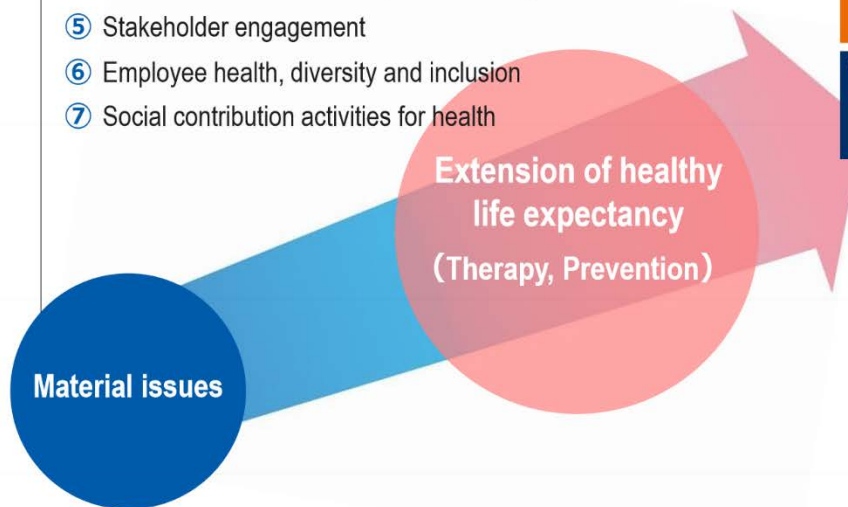
The Company provides a value to the society through creation of pharmaceuticals, thus contributing to the realization of a sustainable society. To clarify this concept, and to strengthen these efforts, we identified Company key issues as material issues. In the identification process, we first extracted to social issues that need to be considered and then mapped them according to importance for our stakeholders or for Mitsubishi Tanabe and prioritized them. Lastly, we discussed the validity of material issues within the Company and with opinion leaders outside the Company. They arrived at seven material issues.

## Seven Material Issues

### Seven material issues

- ① Pharmaceuticals and healthcare services with differentiated value
- ② Reliable products and sustainable supply
- ③ Appropriate use of products
- ④ Ethics, fairness and sincerity in business practices
- ⑤ Stakeholder engagement
- ⑥ Employee health, diversity and inclusion
- ⑦ Social contribution activities for health

### SDGs



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By dealing with these seven material issues, which are key issues to our Company, we will bear the social responsibility to contribute to the extension of healthy life expectancy. As a result, we can contribute to the various social issues put forward in SDGs.

The first material issue is the creation of pharmaceuticals and healthcare services with differentiated values. This is the very business of our Company and shows our posture as a company.









Except for two to four, issues are key issues related to quality assurance or optimal usage of the products and compliance. We are reflecting on the past misconduct related to compliance. We put importance on gaining trust from society and we should not forget about this problem. We would like to endeavor to deal with these issues.

Next, number five is related to strengthening information disclosure and transparency.

Number six is activities for employees, who are also our important stakeholders.

Number seven is health-centered social activities. That is, contributions to society other than through our business activities.

## Material Issues and Monitoring Indicators








Material issues	Key Monitoring Indicators	FY2018 Results	Related SDGs
① Pharmaceuticals and healthcare services with differentiated value	Number of approvals (last 5 years) Number of patients using orphan drugs provided by MTPC Number of vaccines shipped	23cases 100,000 people 17million sticks	 
② Reliable products and sustainable supply	The rate of complaints attributed to manufacturing process at group manufacturing plants Satisfaction rating of responses to customer complaints	1ppm 92.4%	 
③ Appropriate use of products	Number of external presentations on clinical research (papers/academic conferences, etc.) Instances of safety information collected by MRs	56cases 7,419cases	 
④ Ethics, fairness and sincerity in business practices	Compliance training participation rate Employee compliance awareness (Perfect score: 5 points)	97.7% 4.34points	 

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The next two slides show the key monitoring indicators and related SDGs to evaluate initiatives related to material issues. There are more details in the appendix. But in selecting the monitoring indicators, we had internal discussions and identified the appropriate ones, while checking the relevant field initiatives.

For the first issue, in addition to indicators related to the creation of new drugs, contributions related to orphan drugs, such as Radicava and Ceredist, as well as vaccines, were also added as part of the items. The second to fourth issues list important indicators to make sure that people feel comfortable using our products and for us to gain trust from society. Here, instead of simply tracking the numbers, our metrics include results of surveys as to whether our actions are satisfactory, and in-house trainings to ensure lessons learned in compliance will not be forgotten and will be made use of in our future business activities instead.

## Material Issues and Monitoring Indicators

Material issues	Key Monitoring Indicators	FY2018 Results	Related SDGs
⑤ Stakeholder engagement	Number of briefings and interviews of investors Employee understanding of management (Perfect score: 5 points)	198times 3.68points	
⑥ Employee health, diversity and inclusion	Usage rate of paid vacation days Smoking rate Percentage of women in managerial positions Number of employee nationalities	68% 19.8% 20.2% 29countries	  
⑦ Social contribution activities for health	Number of visitors to health support websites Number of organizations supported by Tenohira Partnership Program (total since start of grant in FY2013)	7.29million people 91 organizations	  

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In the fifth issue, aside from the timely and appropriate information disclosure, which is a given, we focus on mutual understanding through dialogues, like this meeting. In addition, recognizing that it is extremely important for growth for employees and management to engage in business activities from the shared long-term perspective, we use the level of employee understanding of management as one of the indicators.

Sixth, we select indicators for health and diversity because it is a source of corporate value that employees work with vitality and mutual respect for individuality.

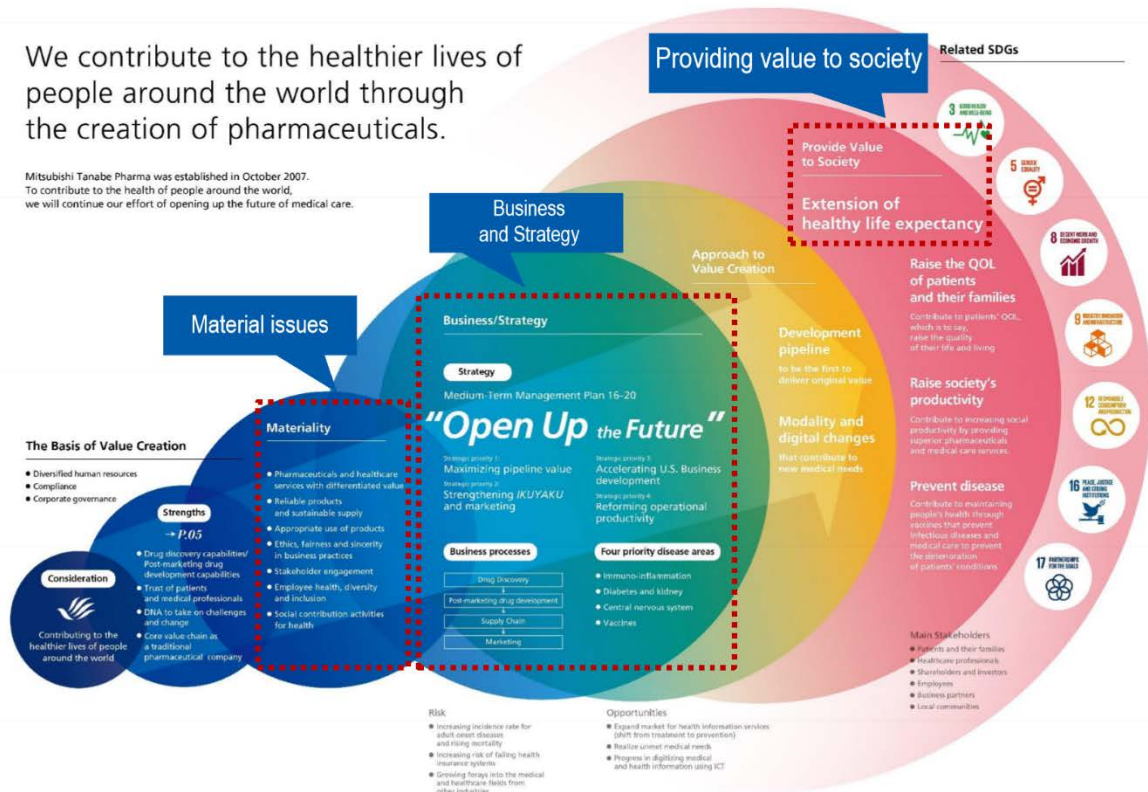
And finally, in the seventh issue, social contribution activities for health. We use our efforts in the “Tenohira Partner Program,” among others, as indicators, as will be explained later.

## 1. Value Creation Process and Material Issues

### Value Creation Model

We contribute to the healthier lives of people around the world through the creation of pharmaceuticals.

Mitsubishi Tanabe Pharma was established in October 2007.  
To contribute to the health of people around the world,  
we will continue our effort of opening up the future of medical care.



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This value creation model is a summary of what we have shared with you so far, described in a single slide. This is really a busy slide. You can also find it inside the document box handed out to you.

This chart shows the process and path by which we will create values over the long term. Through the creation of pharmaceutical products, we will provide the social value of extension of healthy life expectancy. In order to further enhance our future efforts, we have now identified material issues and clarified our philosophy. In addition, in order to continuously provide values, we will also implement various modalities and initiatives, such as IoT, or AI, as new approaches to drug development.

What we talked about today, as well as our business processes and various activities are explained in an easy-to-understand manner in our corporate report handed out today. In the future, management and employees will continue to work together to engage in business activities. We ask for your continued understanding and support. That is it from me. Thank you very much for your attention.

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## ESG Efforts

Takashi Kobayashi, Representative Director,  
Senior Managing Executive Officer

G: Corporate governance

S: Diversity and inclusion / health management / corporate citizenship activity

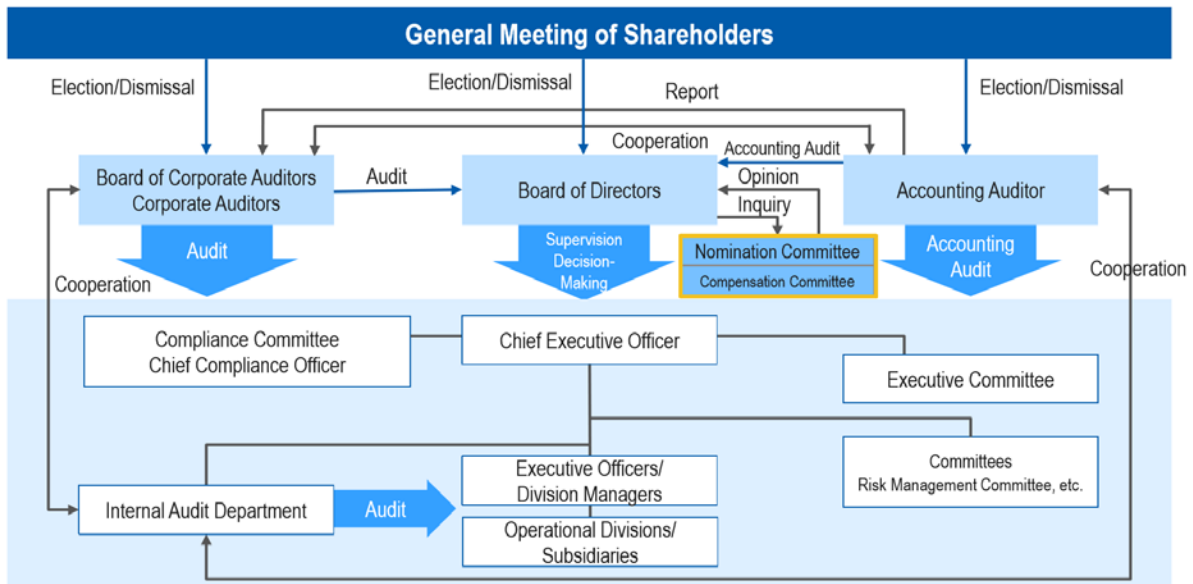
E: Environmental efforts

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**Kobayashi:** Now, let me explain the ESG efforts. Instead of following the order of E, S and G, as this is the first opinion sharing meeting, and since corporate governance is much talked about these days, I would like to first talk about G, or corporate governance, and then talk about S, including diversity, health management, and corporate citizenship activity. And then, finally, I'd like to talk about E, explaining environmental efforts.



## G: Corporate Governance System



### We have a company with a “Board of Corporate Auditors.”

- To respond to the necessity of deep expertise and experience in pharmaceutical affairs and industry that are required to make business decisions and perform audit procedures as a pharmaceutical company
- To ensure transparency and objectivity in making business decisions and supervising business management by using **independent outside board directors**
- To ensure appropriate auditing from an objective standpoint by **independent outside corporate auditors** with high expertise and experience

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Now, let me explain the corporate governance system.

We are a company with a board of corporate auditors. Management decision-making at pharmaceutical companies requires deep knowledge and experiences in the pharmaceutical affairs and industry. Therefore, in addition to directors with rich business experiences and knowledge about the industry, our Board of Directors has independent outside board directors for transparency and objectivity. As for the Board of Corporate Auditors, in addition to auditors with experiences and knowledge about the pharmaceutical industry operation and management, we have independent outside corporate auditors, to ensure appropriate auditing, from an objective standpoint.

Also, as shown in the middle of this slide, there are nomination and compensation committees, which provide advice on nomination and compensation of directors.

## Independent Outside Board Directors



**Shigeki Iwane**  
Representative Director, President of The Kansai Electric Power Company



**Tsutomu Kamijyo**  
Chairman of Board of Directors of Sapporo Holdings Limited



**Kazutoshi Murao**  
Executive Adviser of NIPPON TELEGRAPH AND TELEPHONE WEST CORPORATION

**Expertise**

**Business management**

**Business management**

**Business management**

## Independent Outside Corporate Auditors



**Tadashi Fukuda**  
Executive Partner of DAIICHI LAW OFFICE



**Hiroshi Enoki**  
Representative of Hiroshi Enoki Certified Public Accountant Office



**Mitsue Maru**  
Professor of International Development Nursing, Department of Nursing and Rehabilitation, Konan Women's University

**Expertise**

**Legal expertise**

**Accounting**

**Medical care**

Let me introduce outside board directors and outside corporate auditors and their areas of expertise.

First of all, starting with the independent outside board directors, out of the nine people, three are independent outside board directors and they have rich experiences and wide-ranging knowledge as our executives. As for the Board of Corporate Auditors, out of five members, three are independent outside corporate auditors. We have selected three with experiences and deep expertise in the areas of legal, accounting, and medical care. We have submitted this information to the Tokyo Stock exchange.





The Company has established and operates the [Nomination Committee](#) and the [Compensation Committee](#) as voluntary committees chaired by an Independent Outside Board Director, and comprising the majority of Independent Outside Board Directors.

composition of committee members	Independent Outside Board Director			Inside Board Director
	Shigeki Iwane	Tsutomu Kamijyo	Kazutoshi Murao	Masayuki Mitsuka
Nomination Committee	Chairperson	○	○	○
Compensation Committee	○	Chairperson	○	○

**Activity: Members engage in transparent and objective discussions and report discussion results.**

Nomination Committee	Compensation Committee
<ul style="list-style-type: none"> <li>● Number of Committee meetings held in FY 2018: 4</li> <li>● Major issues discussed               <ul style="list-style-type: none"> <li>• Selection of Candidates (Executive Officers, Directors and Corporate Auditors)</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>● Number of Committee meetings held in FY 2018: 4</li> <li>● Major issues discussed               <ul style="list-style-type: none"> <li>• Performance Evaluation by Person for FY 2017 (Compensation for Directors and Executive Officers)</li> <li>• Setting Individual Targets for FY 2018</li> <li>• Review of the performance-based remuneration system</li> </ul> </li> </ul>

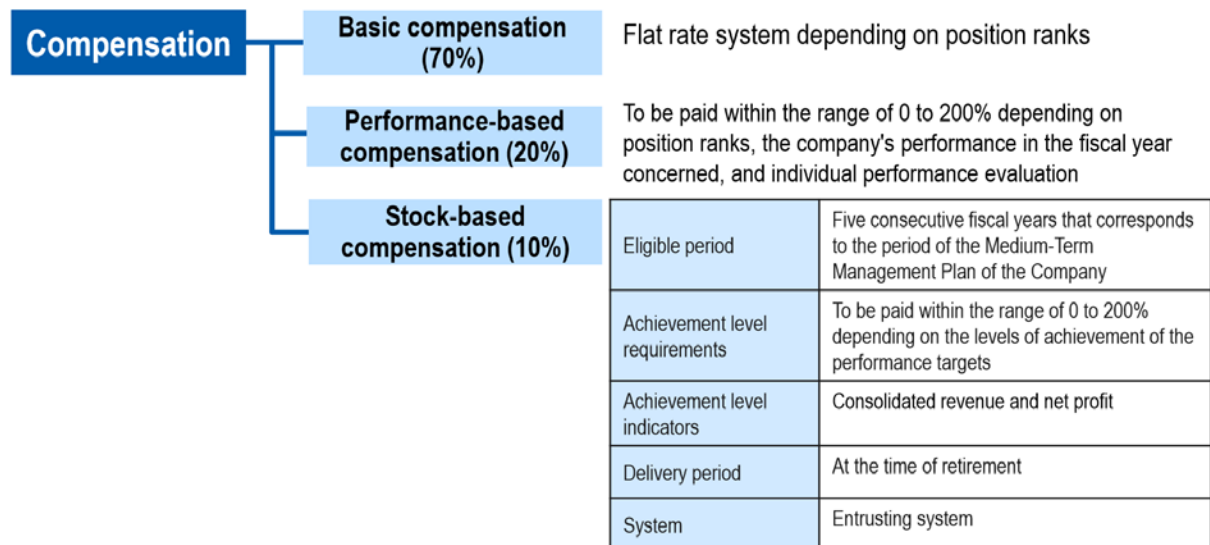
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Let me now explain the voluntary advisory committees. We have nomination and compensation committees. Both committees have four members: three independent outside board directors and Mr. Mitsuka, our president. Both chairpersons are independent outside board directors: for the nomination committee, Mr. Iwane; for the compensation committee, Mr. Kamijo, serve as chairpersons.

In these committees, they have discussions with transparency and objectivity and the nomination committee will select the candidates for the directors, auditors, and executive officers, and report to the BoD. The compensation committee will work on the revision of the compensation system for directors and executive officers and also provide advice to the BoD about individual compensations. For FY2018, they have had four meetings and the activities are listed here.



The compensation plan for Board Directors and Executive Officers is designed in such a way as to be linked to the Group's medium- and long-term performance and to share with shareholders not only the risks associated with stock price declines but also the benefits of stock-price rises, thereby **aiming to boost the motivation of Board Directors and Executive Officers to promote the sustainable growth and increased value of the Group over the medium and long term.**



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Let me now explain the compensation for the board directors and executive officers.

Their compensations are linked to the Group's medium- to long-term performance. By sharing not only benefits, but also risks of the stock price fluctuations, we aim to boost their motivation to promote sustainable growth and increased values of the Group over the medium- to long-term.

Their compensation consists of basic compensation, performance-based compensation, linked to short-term performance, and stock-based compensation, linked to medium- to long-term performance. So, compensations are linked to Company performance and stock prices. The percentage of each is 70, 20, and 10.



In order to enhance the effectiveness of the Board of Directors and increase corporate value, we conduct an annual assessment to improve the effectiveness of the Board of Directors.

#### Evaluation Method (self-evaluation)



<b>Evaluation item</b>	1. Organization design 2.Composition, operation, and deliberation of the Board of Directors 3.Provision of information to outside directors
	4.Nomination and Compensation Committee System 5.Details of executive training 6.Response to previous year's evaluation

#### Summary of Fiscal 2018 Evaluation Results

- As a company with a board of corporate auditors, its effectiveness is well maintained.
- Areas of improvement raised by the Board of Directors
  - Enhancement of monitoring (Medium-Term Management Plan Progress, Risk Compliance, etc.)
  - Establishment of a forum for discussion outside the board of directors
  - Enhancement of communication between outside directors and corporate auditors

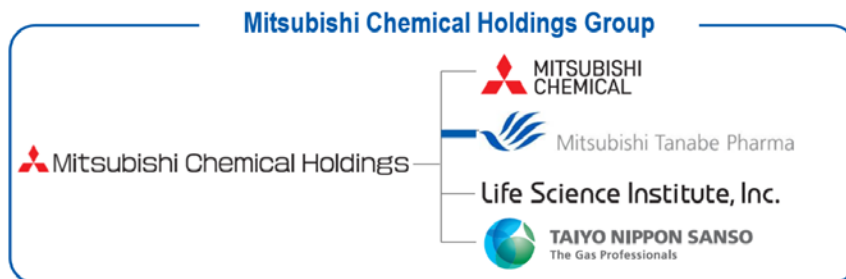
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In order to enhance the effectiveness of the BoD, and increase corporate value, we conduct an annual assessment of the effectiveness of the BoD. The evaluation method includes questionnaires to all directors and corporate auditors and comments from outside directors. Based on these, the BoD have discussions and respond to the issues identified. Evaluation items are listed here, including appropriateness of the organization design, BoD matters, and others.

In FY2018, enhancement of monitoring, establishment of a forum for discussion outside of the BoD, and enhancement of communication between the outside directors and corporate auditors, are being worked on to improve its effectiveness.

## G: Relationship with the Parent Company

In the relationship with Mitsubishi Chemical Holdings, Inc. (Hold 56.34% of our company shares "MCHC") , **the interests of minority shareholders are not damaged.**



### Position of our company within the MCHC Group

Our company plays a central role in the healthcare business within the MCHC Group.

We create value by maximizing synergy effects among the four operating companies of the MCHC Group.

### Autonomy in business management

We operate our business based on our independent decision-making criteria as a listed company.

We are not required to obtain prior approval from MCHC for business management decisions.

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Relationship with our parent company. Mitsubishi Chemical Holdings owns 56.34% of our shares. But, please be assured that the interest of minority shareholders will not be impaired. We play a central role in the healthcare business within the Group, and we create value by maximizing synergy effects such as exchange of personnel within the Group. We operate our business on our independent decision-making criteria as a listed company, and it's not required to obtain prior approval from the parent company for business management decisions.

With regard to the transactions with the parent company, there is no transaction that will give a great impact on our performance. When we do some transactions with the parent company, we decide based on whether that will enhance our Company's complete value or not.

## Risk Management

"Risk Management Rules" established. We have established a system to prevent the occurrence of risks in the business activities of the entire Group, including overseas subsidiaries, and to minimize the loss in the event of such risks.

## Compliance

The Mitsubishi Tanabe Pharma Group has in place a Groupwide compliance promotion system overseen by its Compliance Promotion Committee, which is chaired by the Chief Compliance Officer.

The Mitsubishi Tanabe Pharma Group has introduced an annual Corporate Behavior Charter Day, which offers employees the opportunity to review the Group's Charter and reflect on their individual conduct.



**Megumi Ohtaki**

Chief Compliance Officer  
Executive Officer

## Corporate Behavior Charter

We maintain the highest ethical standards, place top priority on fairness and integrity in all activities, and act in accordance with the following guidelines.

Pride and Sense  
of Mission

Challenge and  
Innovation

Trust and  
Collaboration

Harmonious Coexistence  
with Society

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Now, next, I would like to explain about the risk management and compliance.

We have risk management roles which stipulate the basic items with regard to risk management. Also, we are endeavoring to prevent any risk occurrence, including business activities in overseas subsidiaries, and we have a system in order to minimize the loss when risk occurs.

In order to secure stable supply for pharmaceutical companies, as crisis management, we have revisited the rules, with regard to risk management. And, through simulations and drills, we are strengthening the system.

With regard to compliance, we have a Chief Compliance Officer, Ms. Ohtaki, and she serves as the committee chairman of the compliance promotion committee. We have established the compliance promotion system. As the President mentioned, reflecting on the past, in order not to repeat any misconduct, once per year, we have the annual corporate behavioral charter day so that all the employees, as well as the management, will be able to reflect and review the Group's charter in this Company.



We promote diversity and inclusion as a key management strategy issue, which have been recognized and awarded with various external awards.

#### Support for balanced work and child-rearing



##### “Kurumin” certification

We have been recognized with the “Kurumin” mark for consecutive years since 2007. In FY 2019, we were recognized with the “**Platinum Kurumin**” for our excellence in supporting employees’ child-rearing efforts. (July 2019)

#### Men’s participation in child-rearing



We received the Special Incentive Award of the **Ikumen Company Award 2018** in the category of “Support for Balanced Work-Child-rearing.” (September 2018)



Employees are allowed to install a child seat in a company car.

#### Women’s empowerment



##### “Eruboshi” company certification

This certification is awarded to companies that implement excellent efforts to promote women’s empowerment. We have been awarded the highest three-star ranking. (since April 2016)

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Next, I’d like to talk about our measures of society, which is S. I’d like to talk about diversity and inclusion. We think that this is a very important as a key management strategy.

Well, for the support, for the balanced work and child-rearing, we have been recognized with “Kurumin” certification consecutively from 2007. But, in this fiscal year, because we are doing it at a very high level, we were able to be awarded “Platinum Kurumin” certification.

On women’s empowerment, we were awarded the highest three-star ranking of the “Eruboshi” company certifications. And also, for the men’s participation in child-rearing, we received from MHLW, the Special Incentive Award of the “Ikumen” Company Award 2018, in the category of “Support for Balanced Work-Child-Rearing.” As you can see in the photo, we allow the employees to set a child seat in a company car, and the company car can be utilized in order to take or pick up their children to the nurseries. As of the end of July 2019, we have 33 Mom MRs and 32 Pop/Dad MRs. A total of 65 are using the Company car for that purpose.



We promote health management aiming to increase labor productivity and corporate value by promoting employees' health. A three-year smoking cessation program is one of our priority initiatives.

**Three-year smoking cessation program: A step-by-step smoking cessation program over three years**

	FY 2017	FY 2018	FY 2019	<b>Major measures</b> <ul style="list-style-type: none"><li>● No-smoking at work has been documented in the office regulations</li><li>● All smoking rooms within the company have been removed.</li><li>● Support is provided to smokers who want to quit smoking</li><li>● Those in managerial and higher positions are expected to serve as a model in quitting smoking</li></ul>
Target smoking rate	20%	18%	<b>Aiming to achieve a smoking rate of 5%</b>	
Smoking rate	20.5%	19.8%		
Non-smoking day	Friday	All working days		



All the smoking rooms in the company have been closed since the beginning of FY 2019.

The smoking area at the Tokyo Head Office has been renovated into a relaxation area.

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Next, I'd like to explain about the enhancement of corporate value through healthy management.

From FY2017, in a step-by-step manner for three years, we would like to have total smoking cessation. No smoking in our Company car, no smoking during office hours, and also, we are closing the smoking rooms. This is the last year for this program. So, as a life-supporting Company, we are aiming to reduce the smoking rate to 5%. More specifically, for this fiscal year, the "no-smoking at work" has been documented in the office regulations. If employees are able to become healthy, then that will lead to the enhancement of corporate value and also will extend the healthy life expectancy of employees.

### Support for patients and their families

#### “The Mitsubishi Tanabe Pharma Tenohira Partner Program”

A program launched in 2012 to provide support for intractable disease patient organizations

Activities to improve the quality of life of patients suffering from intractable diseases and to support their families

**The cumulative number of organizations we have provided support to in Japan is 91**



### Improve access to medical care

#### Global Health Innovative Technology Fund (GHIT Fund)

We have participated in the GHIT Fund since 2015 to **conduct joint research and provide funds to eradicate infections prevalent in developing countries**. We have obtained two kinds of lead compounds that can serve as candidates for anti-malaria drugs and have started joint research.

#### Participation in a Vaccine Support Program in developing countries

Vaccine Support Program for Children in Developing Countries with Employee Participation

**FY2018 Vaccines for 14,500 persons**



Our company original poster

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Let me now explain about corporate citizenship activities.

In order to address issues related to health that cannot be solved by the business itself, we have established a corporate citizenship philosophy, with the belief that supporting our patients suffering from diseases, and their families, is our important mission. The “Tenohira Partner Program” was established in 2012. We selected those we would support, strictly and fairly, based on the opinions of outside experts, and so far, a total of 91 organizations have been subsidized in Japan.

In FY2018, we assisted 21 organizations for patients with intractable diseases through projects to improve their QoL, such as subsidizing medical fees and providing support for employment. In addition, we organized a session where organizations we supported in the previous year would present their activities, which was then used as an opportunity for them to network with each other.

Furthermore, as part of our efforts to improve access to healthcare, we have participated in the GHIT Fund since 2015 to conduct joint research and provide funds to eradicate infections prevalent in developing countries. We have obtained two kinds of lead compounds that can serve as candidates for antimalarial drugs and have started joint research for optimization.



## 2. ESG Efforts

### S: Disease Education Project/Health Support Websites

Mitsubishi Tanabe Pharma

#### "Health Support Websites"

In FY2018, 7.29 million people visited websites in domestic and overseas

<https://di.mt-pharma.co.jp/health-support/>

- Raising Awareness of Various Diseases through Websites
- At each site, patients and their families can easily understand the symptoms, diagnosis, and treatment of the disease.



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We disseminate information through our website to help enhance disease awareness. In Japan, we have launched various health support websites, such as rheumatoid arthritis, multiple sclerosis, and vaccine; while overseas, ALS health support site has been operated by our U.S. subsidiary, Mitsubishi Tanabe Pharma America, for patients with ALS. A total of 7.29 million people visited those sites in FY2018.

Through health support sites, we hope to contribute to people's health by spreading correct understanding of the diseases among the general public, and by providing information to support the daily lives of patients.



### Environmental targets

In our environmental activities, “energy saving and global warming prevention,” “reduction of waste and effective use of water resources,” “reduction of emissions of chemical substances,” and “biodiversity conservation” are the four major priority issues.

#### Energy saving and global warming prevention

##### Reduction in CO<sub>2</sub> Emissions

#### Targets in 2020

**Domestic : 40% reduction**

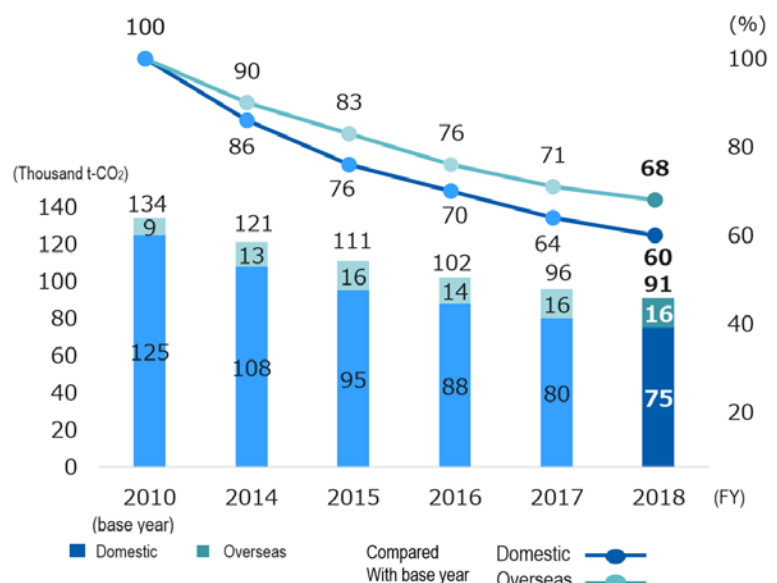
**Overseas : 35% reduction**

**(Compared with base year 2010)**

#### Results in FY 2018

**Domestic : 40% reduction**

**Overseas : 32% reduction**



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I would like to now explain our environmental efforts, E. As a knowledge-intensive industry, like the pharmaceutical business, by nature, our environmental load is relatively low, but that doesn't change the fact that it remains a very important theme. In environmental activities, we identified those four priority issues to reduce environmental load. We will walk you through two of them today.

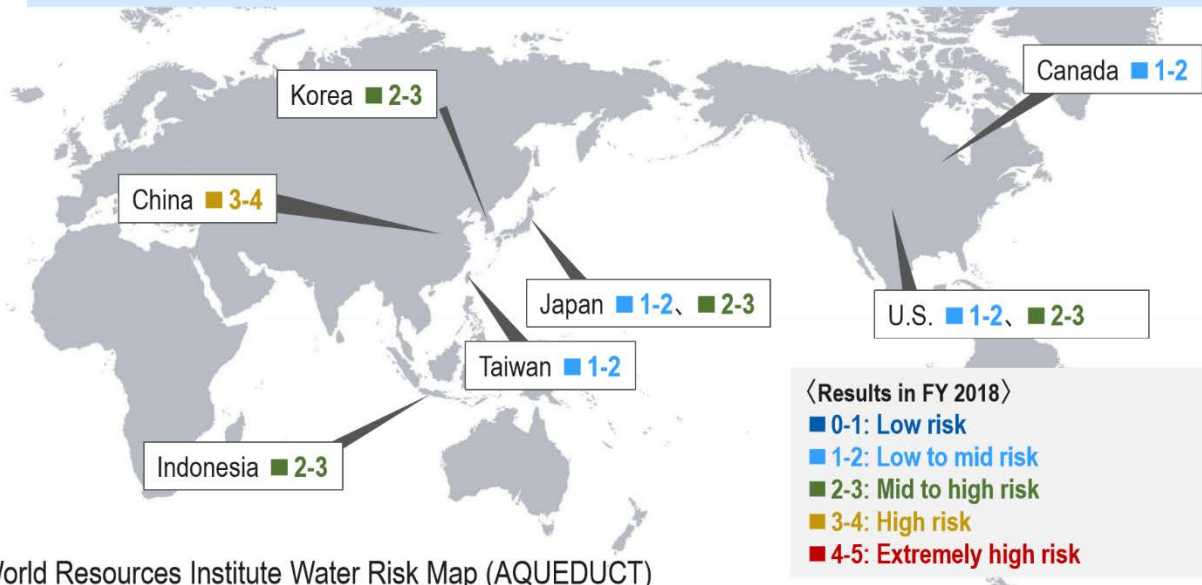
As part of our endeavor for energy-saving and global warming prevention, we are aiming to reduce CO<sub>2</sub> emissions by 40% in Japan, and 35% globally, compared to 2010. As shown in the graph on the right, we have been able to reduce emissions year-by-year and we will continue our efforts to achieve our goals.

## Reduction of waste and effective use of water resources

### Water Risk Assessment

We recognize that responding to water resources in our corporate activities is an important issue, including droughts and floods caused by climate change, water pollution, and increasing global water use.

Since FY 2018, **we have surveyed local water risks (quantitative risk)** at production and research facilities in Japan and overseas, and **linked to initiatives related to water resources**.



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Next, we will discuss water risks under the theme of reduction of waste and effective use of water resources.

In recent years, responding to the issue of water resources in corporate activities has become important as we experience droughts and floods, water pollution, and a global increase in water consumption. Since water is an important resource in pharmaceutical manufacturing and R&D, we carried out an investigation into local quantitative risks of water at our manufacturing and research facilities by using the water risk map created by the World Resources Institute. As a result, it was found that one area of Tianjin Tanabe Seiyaku Company in China is a high-risk area in terms of quantitative risk for water, but that there are no major problems with other facilities. We will continue our investigation in order to deal with business management risks and contribute to more effective use of water resources.

What we have shared with you today is only part of our ESG initiatives. The idea that three perspectives of ESG are essential for the long-term sustainable growth of companies has now become a commonsense worldwide. We would appreciate it if you can share with us your honest views from a longer-term perspective on what we should do now and what we should pursue further, taking advantage of this occasion today. Thank you for your attention.

## Question & Answer

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**Akiyama:** Thank you very much for joining us today. Now, this opinion sharing meeting on ESG is to look at how the ESG activities are related to or linked to corporate value — to explain that in an easy-to-understand way. This is the first meeting and we would like to have your frank views so that we can make improvements. As was already mentioned, unlike the business results briefing, we are focused on non-financial information; we would like to have a wide-ranging discussion. So, we would like to welcome your opinions, so that the Company can share their views with you.

As for the procedure, first of all, we would like to welcome your views and impressions of what you heard and then expand our discussion. We would like to start with your impressions or your opinions or anything that you'd like to know in comparison to other companies. So, please raise your hand if you have any comments to make.

**Hyogo:** My name is Hyogo. I'm an analyst at Mitsubishi UFJ Trust. Thank you very much. I have a few questions. But my overall impression is, first of all, I appreciate this meeting. Among the pharmaceutical companies, Eisai and Sumitomo Dainippon Pharma, I think you are the third company to have this type of meeting. So, my request to you is not to just have one meeting. We hope that you continue to have this meeting so that we can see the progress. These days, ESG and environmental issues have become hot topics. So, I hope that you will continue to have these meetings.

This is related to my questions. In the previous business results briefing, you did disclose a part of the material issues, but we did not expect this type of meeting to be held. I think you mentioned that you wanted to see the progress of the KPI before disclosing your activity. So, why did you decide to have this meeting only six months later? I would like to know the reason and, as the moderator mentioned, how are the ESG activities linked to corporate value? What is your view on that?

**Akiyama:** Thank you for your comments. You are right. This is the beginning and I am also hoping that this will be continued. You raised two questions. First of all, about the material issues and also the link of these ESG activities to corporate value. So, please answer to those points.

**Mitsuka:** Yes. Thank you very much. This is Mitsuka speaking. Well, last year, in the fall, when we had the briefing session about the Businesses, to be very frank, there were some downward revisions of our results. I wanted to talk about this topic, but because of the shortage of time, we only had one or two slides to explain part of the material issues. Internally, as Hyogo mentioned, there was a mainstream view that we should set up the targets and see the progress and then announce externally. But, as we exchanged views with investors, some people said that we should try this, then, about the progress of every year, maybe we can make progress through dialogue with investors and try to make improvements. So, I, myself, felt this is the better way. There were some reluctant views but we wanted to start this meeting and continue to make improvements.

As for the linkage between the ESG and corporate value, I think there are two perspectives. First is, ESG activity which would lead to new values and the second is to avoid the values being damaged or to prepare for the risks or to have a good governance.

So, that is the second perspective of ESG. As for the first perspective, there are many things. But, for example, diversity. What is the purpose of diversity? Internally, I often talk about this issue. As of now, the development of pharmaceutical products is faced with a turning point. But, at the same time, there are a lot of needs for pharmaceuticals. And, there is also downward pressure on the prices. So, in order to break away from this, we have to have innovations, true innovations. And for that, diversity is necessary. That is one thing that we recognized.

And for the second perspective, not to damage value is the governance. How to incorporate external views, and how to make sure the process is transparent. And also, risk mitigation, for example. Every time a typhoon comes, I try to make sure that nothing is wrong with the general affairs department people during the night. So, we need to enhance that aspect and that is absolutely necessary.

**Akiyama:** Thank you. Yes, I think that all the companies in Japan are currently working on diversity. Any unique differentiating factor that you have in the area of diversity?

**Mitsuka:** There is a diversity cycle model in the corporate report on page 57. The details are something for your reference that we need to make some improvements. But, as you see on this page, on the bottom right, you see the promotion of the diversity cycle. Multiple synergy, talent management, and chances to the challenges are mentioned. So, how do you manage all of them so that we can have appropriate innovations for a pharmaceutical company? Especially in our case, we had been domestic-centric, but now we launched a product in the United States. So, how do you make sure that we make progress or step forward through this cycle? We are going through trials and errors. But diversity is important and I think that everybody in the Company now understands this. So, we are no longer Japan-centric. So, we might be a bit behind, but now we have to make sure that we go around the cycle.

**Akiyama:** I have a question to Mr. Hyogo. Any suggestions as to diversity? Anything that you can point out in comparison to other companies?

**Hyogo:** Thank you very much for your question. I did not expect to be asked a question. It's difficult for me to answer. But, generally speaking, when I look at pharmaceutical companies, MRs and also in the area of R&D, there are many opportunities for female employees. So, female employees can take advantage of their strength. But, unfortunately, in the case of Japanese companies, it has been male-centric. So, how do you change that? Of course, some companies have female role models at the directors' level, but other companies do not. So, there are some differences. And of course, we cannot change the population pyramid right away. So, I hope that, say the percentage of male and female, when they join the Company, I hope that you'll be able to have an HR system so that you can maintain the percentage in three years or five years. So, for example, if female employees are 30% of the total, we hope that you can have 30% female directors. So, that's one way of looking at it. So, myself, I am not expecting you to achieve all the numerical targets right away, but to be aware of how you foster this diversity from a young age.

**Akiyama:** As you said, because I have various relationships and contact with other companies. Where diversity is advanced, it seems that there is a role model, a female role model, and that female is actually training the subordinates. There are a lot of such examples. I would like to ask your Company, how are you going to develop this role model? When we talk about diversity, it is not only limited to women, but also how to use non-Japanese employees is going to be very important. What are you doing with regard to this point?

**Mitsuka:** First, I'd like to talk about how to create the role model from women employees and, as was mentioned, well, maybe, you might consider that I have a preconception. However, in our business, like, in clinical development and also in QC, QA, function, as well as regulatory affairs, I think that females will be able to really use their capabilities and power because it requires preciseness and thoroughness. So, in that function, there are a lot of women division directors. So, this role model was created naturally, rather than the company trying to develop the women into this position. Where we are lagging behind compared to non-Japanese companies is in sales, because in the course of the lifecycle of women, they have to leave the field and they will not be able to go back to the field. But, in the non-Japanese companies there are a lot of women branch managers who for some time have to take a maternity leave. We are trying to create role models, develop role models, within the sales MRs and we would like to promote them as much as possible. So, I think that you will be able to visualize those efforts in two- or three-years' time. Kobayashi, do you have anything else?

**Kobayashi:** Yes. When it comes to the sales for the past three years, there are several female heads of sales offices. I believe that those women can serve as role models.

**Akiyama:** Okay. Thank you very much. Now, next question, please?

**Kohguchi:** Thank you very much for your presentation. My name is Kohguchi from Sumitomo Mitsui Trust Asset Management. I would like to ask questions with regard to the assessment of the effectiveness of the Board of Directors. It seems that every company is having difficulties about how to do the assessment. You have the results of the assessment of effectiveness of the Board of Directors in FY2018. It seems that there are some results being shown in terms of improvement, but what I'd like to ask is to give us more specific things. For example, if there are any specific measures of how to make an improvement or what the processes are? For example, you mentioned that there will be meetings outside of the Board of Directors. But, is it actually happening? For example, communications between the outside directors and auditors? Like other companies are actually working on that very actively, but I would like to know more specifically what are you doing with regard to these matters that you have listed here?

**Mitsuka:** Yes. As you mentioned, in our Company, that assessment of the effectiveness of the BoD, well, there are some low indicators. And also, what are listed here, below, we are actually embarking on that. So, if there are any very big themes, like, if we are to discuss at the Board of Directors, we have to have a thorough minutes. But there are some things that need to have a more thorough discussion. So, for those matters, we are taking 30 minutes or one hour after the Board of Directors meeting, and we actually are doing it. And also, from the eyes of the outside directors, governance is very important. We have a board of corporate auditors. So, the auditors sometimes will need to have a meeting with the outside directors. The outside directors wanted to have communications, not with the management, who are on the Board of Directors, but they say that they would like to have communications with the auditors. So, there are some meetings already taking place twice per year for about two hours or so, to communicate with them.

**Kohguchi:** But, will there be any feedback or will there be any proposals or requests for improvement as a result of the meetings amongst the outside directors or amongst the auditors?

**Mitsuka:** Well, the internal auditors are at the meetings. So, I cannot say. There are major ones, but there is some feedback with regards to the various matters and we will have sharing from the internal auditors. I will not be able to disclose specific things here.

**Kobayashi:** Here, in this list, it says the enhancement of the monitoring. So, with regard to the routine report of the business activities, the value-chain-related reports have been made. However, when it comes to the compliance, or how the Company is reacting with regard to the changes in the environment and society, that was where there was a shortage. So, sometimes these items were reported on our Board of Directors, so that the outside directors will be able to have the same perception. So, we have contrived ways in order to provide information and share the information equally.

**Akiyama:** I think that the governance code, and how to improve on the governance code, we think there are many cases that that is actually reported on the document. For example, like Mitsubishi UFJ financial group are putting on their report such as how they are doing the PDCA.

**Mitsuka:** So, you are saying that you would like to know more about what the results of the improvement are?

**Kohguchi:** Then, I think every year, reading the reports, I think I will be able to actually feel that the improvement is going on in your Company.

**Akiyama:** Okay. Thank you very much. Next question?

**Hashiguchi:** My name Hashiguchi from Daiwa Securities. I would like to mention about the material issues. If you look at these material issues, without your Company's name, I think it's a little bit difficult which company these material issues are putting forward. As a pharmaceutical company, I think that you have extracted and identified very good material issues, but what are the unique points of your Company?

And related issues. Well, in the course of identifying the material issues, I think this is the first time. So, in the process of identification of the material issues, was there anything that was different from the usual efforts? Because I think you will be able to know, because three of you have been working in this Company for a very long time, so what are the items that you think are unique to Mitsubishi Tanabe? I think there was a new discovery or maybe that there are some items that you as Mitsubishi Tanabe can really improve on? And also, I'd like to know about results of the identification of the material issues.

When you will look at the monitoring indicators, I don't think that the higher the indicators the better they are, because sometimes the indicators require not only the quantified results, but also quality will be important. So, what do you think about that? What do you think are the remaining issues, where improvement is necessary, and I would like to know whether you have shared the objectives? In other words, how you are trying to link the indicators and apply it in the business area?

**Akiyama:** So, five questions were asked. First, you can't tell which company you are talking about. Well, in the material issues, whatever company you're looking at, they are choosing abstract items. So, it cannot be helped in some sense. But, the development process, and how do you reinforce your strengths, and monitoring indicators track records, and how you're going to translate the goals to the businesses. So, they are all insightful questions. If you can answer those questions as far as you can.

**Mitsuka:** I will be answering that question first, followed by Mr. Kobayashi. Of course, you can hide the name of the company and you can't tell which company you're talking about. But it can't be helped. And, as a pharmaceutical company, you need to capture what needs to be done. Some issues may be taken up by some companies and not by others. But, if you look at the appendix, or page 36 onward, you can see more detailed information. And, as a Company, the second column under the material issues, in other words, the reasons why it is important, that is unique to our Company. So, this has to make sense to employees. Whether there is originality to our Company, that is more important.

For example, if you take a look at the first issue, the drugs, I'm telling this to our employees all the time. The probability for a completely innovative drug to be launched has been declining. But, if you look at the convenience and adherence of drugs, there are many slight changes that you can make. And that would make a great difference in terms of providing great benefit to patients and caregivers and there are many more potential in that.

In the second bullet, manufacturing to enhance convenience of patients and healthcare professionals. I keep reminding people in the field of this item. Especially, you need to learn more about the clinical practice and settings in the U.S. So, there are many more such examples.

For the number two issue, reliable products and sustainable supply, as I've been saying, the lessons learned from past quality control issues, this is quite unique and important to us. This should never be forgotten and we should never miss this point. There are several more, but in other words, the second column, the reason why it is important. That is important and this is something that has to make sense to employees.

**Akiyama:** Thank you. With regard to material issues, you presented once and let's move on. That shouldn't be the case. You have to run the cycle and you probably will need to periodically review the material issues so that you can make them more sophisticated.



**Mitsuka:** And, with regard to business growth potential, there are many ways to look at this. But there are four priority areas for us. Neurodegenerative diseases and other CNS diseases and severe autoimmune diseases, and diabetes and kidney. The focus is more on kidney and there will be cardiac and renal markets that will still have potential and also preventive vaccines. We will focus on those four areas in Japan, and CNS and autoimmune diseases in the US. As an extension of those business areas, the ones that will match those areas should be the ones that we should focus on. They are priority areas and our R&D priority areas for us. And we should choose material issues as an extension of that. If you can focus on that, then that will lead to growth in the businesses in the future. I'm not sure if I'm answering the question, but areas of strength and those material issues have to match and then there will be growth that will come out of that.

**Akiyama:** Thank you. So, that message and passion that you as the President have, has it been communicated to the employees?

**Mitsuka:** Well, I think this is true with any company. But it takes tremendous effort to make sure that all this will make sense to all the employees. Actually, in our Company, since April this year, except for myself and Kobayashi, the management team has been rejuvenated, with new executive officers added. So, the distance between the executive officers and the field should be reduced and all the executive officers are visiting various fields and sites 58 times for the past six months. So, this is a conversation that we are carrying.

If you mention material issues and SDGs, they don't make sense to employees immediately. So, why diversity is important? So which therapeutic areas we are going to focus on? These are the things that I keep discussing. And once this makes sense to employees, then they can understand what material issues mean and what SDGs mean to them. So, we have to use topics that are familiar to them or what the management team is always mentioning throughout the 60 times of conversations. And Tabaru and Kobayashi have been visiting the sites, so they may have their own stories.

**Tabaru:** With regard to material issues, in the case of the holding company, that is "KAITEKI." But it doesn't resonate so immediately to the employees. So, you have to keep trying and saying many times. And then, at some point in time, each individual will realize that one event clicks and gets linked to one of the material issues and we hope that will happen to all employees at some point in time. So, we call this "on-site meet" and we have been holding these meetings 58 times. And this will be continued. If you listen to the voices from the field, then they say that they have a one-and-a-half-hour meeting with the management team and this will be the first time that they have had this direct meeting with the senior management. So, they realize that something is changing.

**Akiyama:** Thank you. Now, are there any other comments or questions?

**Yamamoto:** I am Yamamoto from Nissay Asset Management. Thank you. I have one question and one comment. With regard to the question, if you look at the material issues that you've identified, especially number six and number seven, amongst ESG, S and E seems to be important to create your corporate value. But when you consider enhancing your corporate values, which one is most important amongst ESG? Of course, this is your first ESG meeting, so you could say all three are important. But, in terms of material issues, S and E seem to be important, but amongst ESG, which one is most important? And if there are any specific initiatives that he would like to work on, in terms of enhancing values for the short term, if you can share that with us, that would be appreciated. And a comment. In value creation model, if you can incorporate ESG, aside from the several keywords, that would be easier to understand, why this is important.

**Akiyama:** Thank you. As for the first question, which one is most important amongst E, S, and G, or in terms of material issues. And the second, the ESG and value creation model. In other companies, there is a tendency to incorporate sustainability elements in their medium-term business plans, so how do you approach this going forward?



**Kobayashi:** Yes. Thank you very much. Let me start with the second part. We would like to consider that. In the medium-term management plan, it is difficult to incorporate the ESG matter. So, it's not quantitative. But we would like to incorporate the qualitative side. Now, about the first point out of the seven, when you consider the direct value provision through the business activities, that is number one and this is something that we must achieve. But, as you pointed out, six and seven, as Mitsuka mentioned, the health of the employee is extremely important and a countermeasure against the burden on the empowerment is very important. We fully understand that once the incident happens, it's a very serious matter. So, we want to prevent that from happening. For example, raw materials or chemical materials flowing into a river. When that happens, it will be irreversible for some time. That would be the destruction of the environment. So, if you include that, this is not something that we can make light of. On a more positive side, for example, diversity, in order to have innovations, we have to have exchange of experiences and knowledge. So, we have to have engagement with outside of the Company and expansion of such engagement is important. I hope that answers your question.

**Yamamoto:** One follow-up question. This time, concerning the ESG explanation, you started with the point of governance, or G. Now, among the material issues, there are not so many G-related items, but that does not mean that you make light of G. Is that correct?

**Kobayashi:** Yes.

**Mitsuka:** That is correct. I think that number four or five are related to that.

**Kobayashi:** For example, the internal system, what we are working on, and by disclosing them to you, and getting your feedback, and making improvement—that is number five. It has to do with information disclosure. To make sure that the system works, then the employees have to have good compliance awareness, and improvement of the awareness is important. So, number four and five are crucial.

**Akiyama:** Thank you very much. Next question.

**Sato:** Thank you. My name is Sato from Schroders. I have some minor questions, different questions. On the same page which mentions the material issues and key monitoring indicators, I have two questions on this. How do you count the key monitoring indicators? So, for example, in the case of expansion of indications, do you count it as one? Or, if the indication is the same, and if you get approval in Japan and abroad, do you count it as two? I would like to clarify that.

A similar question, if I may. Number of external presentations on clinical research and you have papers and academic conferences in parentheses. So, regardless of the impact factor, when the papers are published, it's counted as one. Is that correct? Should I continue with all of my questions?

**Akiyama:** Yes.

**Sato:** Next question is selection of the material issues. In your case, for a very long time, you have been engaged in the sales of CNS and you also have CNS products in your pipeline and have been having active R&D. So, your unique challenge in the area of CNS, polypharmacy, is not included in the material issues and I wonder why that is? Next question. I work for a subsidiary of a company listed abroad. In your case, you have many subsidiaries outside of Japan and resources are limited. How do you make sure that you have a good control, including overseas subsidiaries? Are there any difficulties that you can share with us?

Last point, I am very interested in ESG, but I am interested in your business and corporate report. I have a question. In the United States, Radicava biomarkers are searched and researched. And by the end of this year, I hear that maybe there will be interim results. That is according to an employee of the subsidiary. So, searching for biomarkers and selecting biomarkers, and at the time of the beginning of the clinical trials, they

will be utilized for endpoints? That is to say that until you complete this, clinical trials of Radicava will not start? Is this directly linked? Those are the questions that I'd like to ask.

**Akiyama:** Thank you. I think you asked four questions. First is material issues. Second is the selection process and the third is the overseas subsidiary sources. The fourth has about the biomarker for Radicava.

**Kobayashi:** As for the way we count, we count each indication, so if it is approved in Japan and the United States, they are counted as two. So, it is by area. We need to check on this, whether this is correct or not.

**Sato:** But that is everything that is applied by your Company, not the license out cases. They are not counted. Is that right?

**Kobayashi:** Yes. That's. Correct. As for the impact factor of the clinical trials, they are not yet considered. But, as somebody mentioned, it's not just the number. We have to also consider the quality. So, that needs to be considered as well.

**Mitsuka:** And polypharmacy was mentioned and this is an extremely important matter. This is not just by doctors. The reality, how we can make a contribution and how to collect the data — we are currently trying to collect this data as an industry by JPMA. So, this is not included as a key monitoring indicator, but number three, for example, the appropriate use of products. The polypharmacy issue will be included here. So, if we can get the data, then the disadvantageous polypharmacy for the patients' needs to be reduced. So, we will continue to provide information so that there will be no unnecessary polypharmacy. This issue, which is a very major issue in the industry, will be included as one of the key monitoring indicators in the future.

Then, about the biomarker of Radicava, I think it is very important to understand the situations and also performance of the patients. And I think it is very important to grasp who will have progressions of ALS. And so, in the United States, I think it will be very important to contribute to the clinical front with Radicava. That was the starting point. In a sense, if there is anything coming up that we can use very well with other biomarkers or, we think that first we have to, however, start from the basics and then also, if there is likelihood that certain patients will have an advancement, then I think it will be important for us to tell them to go to the doctors as soon as possible. However, it is not related to the overall Radicava. The current IV will lead to oral Radicava, with safety and PK studies.

**Tabaru:** Another question is about the difficulties with overseas. For example, it's been around two years since we acquired the Israeli company NeuroDerm. However, maybe because of the nationality, well, in other words, we are the real domestic company and NeuroDerm has a lot of venture spirit so, they put importance on the speed. So, they wanted to try. However, we consider very deeply before acting on something. So, in that sense, there are different cultures and there are various gaps and I'm sure that gaps are felt by the employees who are working in the forefront. It's been around two years. But, gradually, we think we see some harmonizations. However, it didn't proceed as fast as we expected. However, I think recently, we were able to now look into the same direction. We both think that we have to come up with new good ideas and compounds.

**Sato:** So, it's not that you have limited resources, but because you have different culture and because the business style is different, so you have to narrow down the differences?

**Tabaru:** Yes. That is what we have to do first. And also, under the development, there is something under the development. But, when we consider about the marketing, then I think it will be important for us to consider who is going to provide the resources. And so, it is necessary to have a combination. In that sense, I think we have to have more close communications. Maybe it takes two or three times more than to communicate within the same domestic companies.

**Kobayashi:** I would like to make some correction. The counting is by the indication. So, by the area and also by the authorities who are giving us the approval. And, as for the articles, we are not so much concerned about the impact. However, it is necessary to have our Company's person as an author. And if not first author, then they can be a co-author.

**Sato:** Can they be co-authored?

**Kobayashi:** Yes. So, he or she doesn't necessarily have to be a first author, but co-author is okay.

**Akiyama:** Well, I'd like to ask a question to Ms. Sato. So, when you read a corporate report as investors, which are the points that you put importance on? And then, if there is any further information that you would like to have in our report, can you tell us?

**Sato:** Yes. I would like to utilize the information on the corporate report in various ways. And also, I would like to know what processes brought you to have this long-term growth? I would like to know your efforts as a company in order to get the long-term growth. So, from the various aspects, I would like to analyze the corporate report. And, what I am most interested in is the compounds such as Radicava which is directly related to your core of your business.

**Akiyama:** Okay. Next question, please?

**Kikuchi:** My name is Kikuchi, from Tokio Marine Asset. I would like to give one comment and one question. First of all, the comment. On page 36 and thereafter, you showed some monitoring indicators. But it seems like these monitoring indicators are mostly on the output basis. What you're aiming at is patient-centered or patient-focused results, I believe. So, taking that into consideration, you might say that it's easy to say so, I would like to give a comment. For example, is it possible for you to show the outcome-based indicators? For example, if you increase the shipment of vaccines and if there are more and more patients and people being administered the vaccine, then probably that will bring about very good positive effect on the part of the patients. And, we talk about with other global companies, like how you will be able to give the outcome-based monitoring indicators? But if you will be able to come up with these outcome-based monitoring indicators, I believe that you will be able to show some advancement or successful results.

Another question is that you really are focused on the fact that there is not going to be any impairment on the interests of the minority shareholders and that there is not going to be any impact from the parent company. But there is a keyword, "KAITEKI," from MCHC. So, I thought that maybe you have taken into consideration this keyword of "KAITEKI" when you came up with the management plan. So, from the aspect of governance, well, I was just wondering how you are trying to make an alignment with this keyword, "KAITEKI," as one company in the group of MCHC.

**Akiyama:** Thank you very much. Very good comment. Outcome is going to be very important in order to measure our results. And also, I think the parent company, how to have a synergistic effect is going to be very important as a listed company, both as parent and subsidiaries.

**Mitsuka:** Thank you very much. Because I haven't actually noted that. When it comes to the outcome, I think there are some examples. For example, like, administrations of Remicade. For example, there is a complete remission; there are some Japanese patients who have complete remission and who can go back to the work and office or in the society, and they – and such patients – do not need any medication. Regardless of whether that can be really counted on this indicator or not, but I really would like to consider about the outcome-based monitoring into the future. Thank you very much for your comment.

Now, with regard to the relationship with Chemical Holdings, well we do decide with regards to the management and that was clearly said and also, we are making a final decision. And at the forefront, as I

mentioned, we have the Board of Directors where we have three outside directors and they are always saying that they are representing the minority shareholders. So, they always say that there is no impairment with regard to the interests of the minority shareholders. But you mentioned that maybe we are having some kind of alignment with the holding companies. Well, we have a material issue, seven material issues, that we put forward and, yes, there are some alliances or alignment with “KAITEKI” of the holding companies. Also, we wrote treatment and prevention is very important for the extensions of healthy life expectancy. That is related to health and comfort and if that results in the reductions of medical costs then that will also support sustainability. So, in that sense, we are trying to take some alignment with the comfort or “KAITEKI” of the holding companies. For example, like when we talk about block chain, we put forward about the numbers of block chain which was contributing to the prevention of the infectious disease. And also, the holding company in November put forward the “KAITEKI Vision 30” towards 2030. There was feedback as to whether that is in alignment with the direction of the future of Mitsubishi Tanabe. We think that it will be very important to take the alignment as the Group company in order to have the synergistic effect.

**Kobayashi:** The material issues, when we identify them, there is one more column to show where in “KAITEKI” this will match. But, if you include “KAITEKI” element here, then it will be difficult to explain. That’s why we decided to exclude the “KAITEKI” column from this document.

**Akiyama:** Thank you.

**Hyogo:** So, this is my second time to make statements, but I was not able to share with you my views. So, let me share with you my thoughts. The review process has not been specified. There should be an advisory committee to the Board of Directors and the process to review material issues in accordance with the business changes needs to be specified. I think that process will be absolutely necessary. But that part is missing in integrated reports of your Company. So, that process should be specified. And in some cases, outside personnel is getting involved in companies in other industries. Unless you do so, if the management team changes, then it will be, become more ambiguous where the sustainability is positioned. So, you should specify that. And second, you talk about sustainability so much, and yet, the compensation is actually determined by performance on a 100% basis. But that should be changed medium- to longer-term. Omron and Shiseido and other companies are considering the possibility of incorporating sustainability elements in deciding compensation for directors. So, if you come up with this KPI, then that element can also be incorporated.

Third, with regard to the environment, you have come up with the CO2 emission reduction goal for 2020. But, 2020 is just next year. So, you have to have a longer perspective and do the back casting to come up with goals. That is the trend. So, I would like you to take a longer-term perspective.

**Akiyama:** Well, thank you. All of the comments are insightful. The periodic review of material issues and the sustainability element in compensation for directors, medium- to long-term perspective, and the goals for environment.

**Mitsuka:** Thank you very much for very insightful comments. There are things that we haven’t been able to sufficiently do. So, next year, when we come back to have this meeting, we hope that we can report to you what we have done. The periodic review process of material issues has not been incorporated. So, I would like the Board of Directors to consider that. As for compensation, whether we include non-financial issues or sustainability elements, there are several companies that are doing that and we are aware of that. Would it be technically feasible and what options are there for us? That should be something that we need more information on and we would like to have discussion at the compensation committee meeting. So, for the long environmental aspects, there are long-term goals as well?

**Kobayashi:** Yes. Obviously, in accordance with the Paris Agreement, the GHG emissions gas reduction, we have in mind the goals in 2030 and 2050 and then came up with these 2020 goals. But at the moment, honestly speaking, what we have captured is the gas that is embedded through our own business activities, and the

gas that has been used in procuring energy that is used in our business activities. The raw materials and others that are used in the supply chain, have not been counted yet. So, we need to have more comprehensive method to look at this.

**Akiyama:** Thank you.

**Chiyo:** I have two questions, if I may. The first question is about outside directors' selection process, or criteria. I do understand that diversity is important, but there are various business backgrounds of those directors. What are the qualifications and criteria that you had in mind in selecting and appointing those directors? There are some doubts in my mind. There are some companies represented here that continue to have takeover defense policy. Or, there was one person who was featured in the news today. And also, in the earnings briefing of the company run by one of those directors, I asked what are you going to do with the low profitable businesses? And he said if you divest low profitable businesses then there will be no business, no Japanese businesses. And he got offended. So, I just am wondering what other criteria you had in selecting directors. And as for the parent and subsidiary relationship, you said the minority interest would not be impaired. But my concern is about Muse cells. Some personnel have been seconded to the parent company from your Company. So, from the parent company's perspective, they are just utilizing the personnel from their subsidiary company, but from the minority shareholder's perspective, these personnel with skills or intangible assets are draining out from the Company. That is our concern. So, do you think there is no problem there? Those are the two questions that I have.

**Mitsuka:** With regard to the criteria of appointing outside directors, as I showed you in the slide, with regard to outside directors, we are hoping that they have rich business management experience. And, as for corporate auditors, they have to have legal or accounting or medical background. And, if possible, female. So, we've added one position. And then, different values were seen in different individuals in appointing them. Of course, it's hard to identify those personnel in this day and age. As for Mr. Iwane, he's from utilities and it seems that the industries are totally different. But, actually, there are many common areas, because they have to have a long-term perspective in running business. That is a common aspect. And this is something that we found after letting him come on board. We have to have negotiations with authorities and that could become a risk and how to avoid those risks is something that we can learn from him. And then, Mr. Kamijo from Sapporo. We wanted to do business in the U.S. And so, we're looking for somebody who has experience in marketing in the U.S. Mr. Kamijo was one of the first personnel who established businesses in the U.S. The industries are totally different, but he has experience in marketing in the U.S. And Mr. Murao, who joined us this year, he's from the infrastructure business. And so, it is similar to us. But, he's from NTT West and he has been involved in many businesses or projects to be launched for ICT new businesses. As we engage in digital and ICT projects, we can use his expertise. He also used to be the Chairman of Kansai Association of Corporate Executives. So, his personal contacts are important. Doing business in the U.S. and digital projects, we can take advantage of the expertise of those directors, so we asked them to come on board.

As for minority interest, and sending our personnel to the parent company, there are pros and cons. As for Muse cells, close to 20 people have been sent. If we send more, then if there is no business relationship, there could be an issue. So, we need a licensing agreement to send more. But, as we work on regenerative medicine and conditional approval, we are using these Muse cells as a topic. Once the secondees come back to our company, they will be helpful in working on the next topic. So, that's the agenda that we have in sending our personnel to the parent company.

We are marketing Collatogene, developed by AnGes, and we are learning through this experience of gene therapy and conditional approval. This is regarded as an upfront investment. So, that's the agenda that we have in pursuing Muse cells.

**Chiyo:** Thank you.

**Akiyama:** We have used up our time. So, if there is one more person who would like to ask questions, then we can take those questions. Any questions? Hearing none, we'd like to conclude our session. I'd like to ask Mr. Mitsuka to give us the closing remarks.

**Mitsuka:** Thank you very much for one and a half hours. Usually we spend only less than one hour for earnings briefing, and I had been concerned that we may not be able to fill the time. But there were many insightful comments and we can learn from this and reflect that in the next year. We are proud of our products and we would like to figure out how to contribute to the sustainability of healthcare together. Thank you.

[END]