

Corporate Governance Policy of Mitsubishi Tanabe Pharma Corporation

Chapter 1 Purpose

The Mitsubishi Tanabe Pharma Group (hereinafter the “Group”) has formulated a corporate philosophy of “contributing to the healthier lives of people around the world through the creation of pharmaceuticals” and its vision of “becoming a global research-driven pharmaceutical company that is trusted by communities.”

To that end, the Group places the highest priority on fulfilling its responsibilities to all of its stakeholders, including shareholders, and working to achieve the sustainable growth of the Group and enhancement of its corporate value over the medium- to long-term, by ensuring efficiency and promptness of decision-making of management, and enhancing the monitoring and supervising functions of Outside Board Directors and auditing structure of Corporate Auditors to ensure the transparency and objectivity of management.

Based on these basic views, the Group sets forth the following Corporate Governance Policy and works continuously to establish the optimal corporate governance system in accordance with the policy.

Chapter 2 Relationships with Stakeholders

The Group strives to develop good relationships and appropriate collaboration with all of its stakeholders, including patients, medical practitioners, shareholders, business partners, local communities and employees, with the aim of achieving the sustainable growth of the Group and enhancement of its corporate value over the medium- to long-term.

1. Relationships with shareholders

(1) General Meeting of Shareholders

Based on the recognition that the General Meeting of Shareholders is the highest decision-making body and a forum for constructive dialogue with shareholders, the Company gives full consideration to facilitating the proper exercise of voting rights by shareholders through measures such as setting an appropriate date for the meeting, providing accurate information, ensuring sufficient time for shareholders to consider on the proposed agendas, and creating an environment for the smooth exercise of voting rights.

(2) Ensuring the rights and equality of shareholders

The Company ensures equal treatment of all of its shareholders in proportion to their

shareholding ratio. In addition, it ensures that the exercise of rights by shareholders is not prevented in light of the importance of such rights.

Concerning the relationships with Major Shareholders*, in particular, the Company ensures that no conflicts of interest will occur with general shareholders.

* Major Shareholders refer to shareholders owning 10% or more of the issued shares of the Company.

(3) Dialogue with shareholders

The Company strives to hold constructive dialogue with shareholders in accordance with “Policy for Constructive Dialogue with Shareholders, etc.” prescribed separately, with the aim of contributing to the sustainable growth of the Group and enhancement of its corporate value over the medium- to long-term.

(4) Capital policy, etc.

1) Basic capital policy

The Company carries out investments for growth such as strategic investments, R&D investments and capital investments, with the aim of achieving the sustainable growth of the Group and enhancement of its corporate value over the medium- to long-term. At the same time, the Company carries out the return of profits to shareholders placing it as one of its important management issues.

With regards to dividends, the Company’s basic policy calls for providing a stable and continuous return to shareholders, targeting a consolidated dividend payout ratio of 50%.

In addition, the Company allocates an internal reserve for investments for future growth.

2) Other company’s shares

- (i) In order to enhance the corporate value over the medium- to long-term, the Company strategically holds shares of other companies if deems necessary for the business, for example, so as to maintain the business transactions, and/or to strengthen relationships from the strategic view point.
- (ii) The Company annually verifies the necessities of listed shares strategically held by it at the Board Meeting, in the light of the holding purpose, capital cost weighed against benefits and risks, and other points of shareholding.
- (iii) The Company exercises its voting rights of shares strategically held by it from the viewpoint of enhancement of the shareholder value over the medium- to long-term.

(5) Related party transactions

1) Transactions with Board Directors and Executive Officers

With respect to a transaction between the Company and a Board Director, and a transaction between the Company and such company as a Board Director represents, the Company implements the said transaction after obtaining prior approval at the Board Meeting and reports the result to the Board in accordance with relevant laws and regulations. Further, if necessary, the Company confirms the opinion of legal specialist before the transaction. The same process applies to an important transaction between the Company and an Executive Officer.

2) Transactions with Major Shareholders

With respect to a transaction between the Company and a major shareholder, the Company verifies the appropriateness and economic rationality of transactions by checking if such transactions are on equal terms with general transactions, etc. In addition, prior to entering into transactions with high importance, the Company obtains the approval of the Board of Directors, including two or more Independent Outside Board Directors upon adequate deliberations, to ensure such transactions will not harm the interests of MTPC Group and common interests of shareholders. The Company develops a system for checking if transactions with related parties are conducted appropriately in accordance with the approved content.

2. Relationships with stakeholders other than shareholders

As a member company of the Mitsubishi Chemical Holdings Group, which is striving to realize a “KAITEKI” society, the Group works to solve environmental and social issues through measures such as the improvement of the QOL of patients, appropriate collaboration with medical practitioners, and symbiosis with local communities, with the aim of contributing to the creation of a sustainable society.

Chapter 3 Initiatives for Information Disclosure

The Group strives to disclose highly useful information concerning its corporate activities, including management plans, management issues and business risks, in a proactive, timely and appropriate manner, regardless of whether such disclosure is required by laws and regulations, in order to deepen the understanding of its shareholders and other stakeholders and obtain their appropriate evaluation of the Group.

Chapter 4 Corporate Governance System

1. Organizational design

- (1) The Company has adopted a system of company with a Board of Corporate Auditors. The Board of Directors includes two or more Independent Outside Board Directors as its members to carry out highly transparent and objective decision-making on important management matters and supervision of execution of duties. The Board of Corporate Auditors conducts appropriate and robust audits through auditing of legality and appropriateness by Corporate Auditors who act on their own responsibility and are independent of the Board of Directors. In this way, the Company has established a highly effective corporate governance system.
- (2) The Company has adopted the executive officer system for the execution of duties and clarified the distinction between the management decision-making/supervision functions and the executive function of the Board of Directors, in order to ensure prompt and efficient management.
- (3) The Company continuously reviews the organizational design to realize the optimal corporate governance system and overhauls it as necessary.

2. Board of Directors

(1) Roles and responsibilities

The Board of Directors acknowledges its responsibility for the attainment of sustainable growth of the Group and enhancement of its corporate value over the medium- to long-term, given its fiduciary responsibility and accountability to shareholders. Accordingly, the Board of Directors properly fulfills its roles and responsibilities that include the following matters:

- 1) Decisions on the direction of corporate philosophy, management strategies and management plans, etc.
- 2) Highly effective supervision of Board Directors and Executive Officers
- 3) Development and appropriate operation of the internal control system
- 4) Creation of an environment that supports appropriate risk-taking by the senior management team

(2) Structure

The Board of Directors should combine balance and diversity, such as genders and nationalities. The Board of the Company consists of members as balanced in knowledge, experiences and abilities, and includes two or more Independent Outside Board Directors to ensure transparency and objectivity in its decision-making and supervision.

(3) Corporate philosophy, management strategies and management plans

The Board of Directors regards shaping the strategic direction of the management based on

the corporate philosophy as one of its major roles and responsibilities, and holds constructive discussions on concrete management strategies and management plans, etc.

In addition, the Board of Directors acknowledges that the medium-term management plan is a part of its commitment to shareholders, and devotes its best efforts to achieve the objective of the plan.

(4) Scope of delegation

The Board of Directors clarifies important matters subject to its resolution and matters subject to the delegation of authority to Board Directors and Executive Officers in internal rules in accordance with the provisions of laws and regulations, and appropriately implements oversight and supervision of the execution of matters on which the authority is delegated.

(5) Activation of deliberation

To ensure active deliberation and appropriate resolution of the Board of Directors, a forum for regular exchange of opinions by Outside Board Directors, Representative Directors and Corporate Auditors is provided. In addition, the Board of Directors creates a necessary environment for its members through measures such as providing uniform and adequate information, proving prior explanations whenever necessary and ensuring the time necessary for preliminarily consideration of proposed agendas and deliberation time at the Board of Directors' meetings.

(6) Evaluation of the effectiveness

The Board of Directors conducts an analysis and self-assessment of its effectiveness each year, such as whether it is appropriately fulfilling its roles and responsibilities for the management's decision-making and supervision, and discloses the overview of the results.

(7) President succession plan

With respect to the President succession plan, the Company identifies and develops future executives who have enough knowledge, experience and capabilities for management of the Company, including without limitation, through job rotation and key position appointment aiming capacity-building as well as internal executive development program.

(8) Election and removal of President

(i) The Board of Directors refers the selection of the President to the Nomination Committee, after taking into account of the process and time for deliberation at the Nomination Committee, from persons who would have appropriate knowledge, experience and capabilities for the roles of the President.

(ii) The conditions to remove an Executive Officer from his/her position, including the President, are set forth in the "Engagement Agreement" for the Executive Officers. An Executive Officer who falls under any of such conditions will be removed from his/her position by resolution of the Board Meeting.

3. Board of Corporate Auditors

- (1) The Board of Corporate Auditors makes appropriate judgments from an objective standpoint as an independent body from the Board of Directors to fulfill its roles and responsibilities such as exercising the authority over audits on the execution of duties by Board Directors, accounting audits, selection and dismissal of an Accounting Auditor and remuneration for the Accounting Auditor, based on its fiduciary responsibility to shareholders.
- (2) In order to fulfill the abovementioned roles and responsibilities, Standing Corporate Auditors participate in important meetings such as meetings of the Executive Committee. In addition, they collect information by means such as conducting interviews on the execution of duties with Board Directors and Executive Officers, exchanging opinions with Outside Board Directors and an Accounting Auditor and reviewing documents relating to major decisions, and conduct highly effective audits through discussion with Outside Corporate Auditors who have independence.

4. Board Directors/ Corporate Auditors/ Executive Officers

(1) Board Directors

1) Roles and responsibilities

Board Directors acknowledge their fiduciary responsibility and accountability to shareholders and execute their duties, while ensuring appropriate collaboration with stakeholders, to achieve sustainable growth of the Group and enhancement of its corporate value over the medium- to long-term.

2) Selection of candidates

- (i) The Company selects Board Directors who have excellent personality, insights, ability and extensive experience, as well as a high sense of ethics, and actively take measures to achieve the sustainable growth of the Group and enhancement of its corporate value over the medium- to long-term.

Board Directors spend sufficient time for executing their duties in order to appropriately fulfill their roles and responsibilities. In addition, they make efforts in self-improvement to enhance their expertise and ability.

- (ii) Candidates for Board Directors are determined by the Board of Directors upon the recommendation by an optional advisory committee chaired by an Independent Outside Board Director and comprised in the majority by Independent Board Directors and Independent Outside Corporate Auditors.

(2) Independent Outside Board Directors

1) Roles and responsibilities

Independent Outside Board Directors execute their duties by keeping in mind that they are expected in particular to fulfill the following roles and responsibilities.

- (i) To provide advice on management policies and management improvements from a viewpoint of facilitating sustainable growth of the Company and enhancement of its corporate value over the medium- to long-term based on their knowledge.
- (ii) To supervise the management through selection and dismissal of the senior management team and other important decision-making by the Board of Directors.
- (iii) To supervise conflicts of interest between the Company, the management team and major shareholders.
- (iv) To appropriately reflect opinions of stakeholders, including minority shareholders, on the Board of Directors from a standpoint independent of the management team and Major Shareholders.

2) Selection of candidates

- (i) The Company selects Independent Outside Board Directors who meet “Criteria for Independence of Outside Board Directors and Outside Corporate Auditors” prescribed separately, have personality, insights, experience and ability, etc., necessary for the execution of duties of Independent Outside Board Directors, and can allocate the time necessary for fulfilling their expected roles and responsibilities.
- (ii) Candidates for Independent Outside Board Directors are determined by the Board of Directors upon the recommendation by an optional advisory committee chaired by an Independent Outside Board Director and comprised in the majority by Independent Board Directors and Independent Outside Corporate Auditors.

(3) Corporate Auditors

1) Roles and responsibilities

Corporate Auditors execute their duties with the aim of achieving the sustainable growth of the Group and establishing a governance system by carrying out audits of the execution of duties of Board Directors as an independent body mandated by shareholders.

2) Selection of candidates

- (i) The Company selects Corporate Auditors who have excellent personality, insights, ability and extensive experience, as well as a high sense of ethics, and actively take measures to achieve the sustainable growth of the Group and enhancement of its corporate value over the medium- to long-term.

Corporate Auditors spend sufficient time for executing their duties in order to appropriately fulfill their roles and responsibilities. In addition, they make efforts in

self-improvement to enhance their expertise and ability.

- (ii) Candidates for Corporate Auditors require the approval of the Board of Corporate Auditors, and are determined by the Board of Directors upon the recommendation by an optional advisory committee chaired by an Independent Outside Board Director and comprised in the majority of Independent Board Directors and Independent Outside Corporate Auditors.

(4) Remuneration of Executive Board Directors and Executive Officers

- 1) The Company's basic policy for compensation plan of the Board Directors is that it should be appropriate and balanced in order to make the compensation for the Board Directors be tied to medium- and long-term performances of the Company and, at the same time, boost motivation of Board Directors and Executive Officers for the enhancement of corporate value.
- 2) Policies for remuneration of Executive Board Directors and Executive Officers and the details of remuneration of each officer are determined by the Board of Directors upon the recommendation by an optional advisory committee chaired by an Independent Outside Board Director and comprised in the majority of Independent Board Directors and Independent Outside Corporate Auditors.

(5) Training

The Company provides training of Board Directors and Corporate Auditors as appropriate in accordance with the policies set forth in the following, in order for Board Directors and Corporate Auditors to appropriately fulfill their expected roles and responsibilities.

- 1) For Board Directors and Corporate Auditors, the Company continuously provides internal training with a focus on themes such as compliance and safety education. In addition, the Company continuously provides and coordinates the opportunities for training by third-party organizations and bears the costs of training.
- 2) For Outside Board Directors and Outside Corporate Auditors, the Company provides necessary information on the Group's business strategies and management issues, etc., as appropriate.
- 3) For newly appointed Board Directors and Corporate Auditors, the Company provides internal training on related laws and regulations, corporate governance and other necessary matters.
- 4) For newly appointed Outside Board Directors and Outside Corporate Auditors, the Company provides an explanation of business details of the Group and an opportunity for inspecting the main business locations, etc.

5. Accounting Auditor

- (1) Accounting Auditor and the Company acknowledge that our duty is to ensure the reliability of financial information and that we assume an important responsibility to achieve the sustainable growth of the Group and enhancement of its corporate value over the medium- to long-term, and take appropriate measures to ensure proper audits.
- (2) The Board of Corporate Auditors formulates and implements the criteria for appropriately selecting a candidate for an Accounting Auditor and properly evaluating the Accounting Auditor.
- (3) In order to secure the proper execution of audits by the Accounting Auditor, the Company strives to provide an adequate environment for audits by means such as ensuring sufficient audit time, holding discussion with the management team and ensuring cooperation with Corporate Auditors and the Finance & Accounting Department, etc.

(Supplementary provision)

Revision or abolition of this policy requires a resolution of the Board of Directors.