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Mitsubishi Tanabe Pharma Corporation

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The corporate governance of Mitsubishi Tanabe Pharma Corporation (the “Company”) is described below.

I. Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information

1. Basic Views

The Company along with its group companies 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 Mitsubishi Tanabe Pharma 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 Mitsubishi Tanabe Pharma Group sets forth the “Corporate Governance Policy of Mitsubishi Tanabe Pharma Corporation (hereinafter the “CG Policies”)” and continuously works to realize an optimal corporate governance system in accordance with it.

《http://www.mt-pharma.co.jp/e/company/pdf/cg_policy_e.pdf》

Although the Company is a consolidated subsidiary of Mitsubishi Chemical Holdings Corporation, the Company will continue its listing status and maintain independence in its management.

[Reasons for Non-compliance with the Principles of the Corporate Governance Code] **Updated**

[Supplementary Principle 4.1.3]

- A succession plan for the CEO and other top executives will be prepared at the Board of Directors after sharing information with the optional advisory committee relating to the selection of Board Director candidates, etc., and its status of implementation will be appropriately supervised by the Board of Directors.

[Supplementary Principle 4.2.1]

- Remuneration for the Current Executive Board Directors is provided in “II 1. (6) 2) “Policy on Determining Remuneration Amounts and Calculation Methods”” of this Report.

- The remuneration for Executive Board Directors and Executive Officers will be more closely linked to the Mitsubishi Tanabe Pharma Group’s medium- to long-term performance, and the Company will review its

remuneration structure as needed, so that it is adequate and well-balanced for stimulating the motivation of officers for the enhancement of corporate value.

- The Company regards the adoption of a stock remuneration plan as a medium-to-long term as incentive one of the Company's future issues.

[Disclosure Based on the Principles of the Corporate Governance Code] Updated

[Principle 1.4]

- Policies on cross-shareholdings and standards on exercise of voting rights associated with cross-shareholdings are as provided in the CG Policies. (Please refer to Chapter 2.1)

《http://www.mt-pharma.co.jp/e/company/pdf/cg_policy_e.pdf》

[Principle 1.7]

- Policies on related party transactions are as provided in the CG Policies. (Please refer to Chapter 2.1)

《http://www.mt-pharma.co.jp/e/company/pdf/cg_policy_e.pdf》

[Principle 3.1]

- (i) The Company's "corporate philosophy" and "corporate vision" are as provided in "I 1. Basic Views" of this Report. The medium-term management plans are posted on the Company's website.

《<http://www.mt-pharma.co.jp/shared/show.php?url=/e/company/plan.html>》

- (ii) Basic views and policies on corporate governance are as provided in "I 1. Basic Views" of this Report.

- (iii) Policies and procedures on determining the remuneration for senior management and Board Directors are as provided in "I 1. (1) Reasons for Non-compliance with the Principles of the Corporate Governance Code [Supplementary Principles 4.2.1 and 4.10.1]" of this Report.

- (iv) Election of senior management and appointment of Board Director candidates and Corporate Auditor candidates

- Policies and procedures on these matters are as provided in the CG Policies. (Please refer to Chapter 4.4)

《http://www.mt-pharma.co.jp/e/company/pdf/cg_policy_e.pdf》

- (v) The reasons of the nomination of each candidate for Board Directors and Corporate Auditors are as provided in the Reference Materials for General Meeting of Shareholders. (Please refer to pages 3 to 17)

《http://www.mt-pharma.co.jp/e/ir/soukai/pdf/soukai09_syosyu_e.pdf》

[Supplementary Principle 4.1.1]

- The scope of matters to be delegated to the management team by the Board of Directors is as provided in the CG Policies. (Please refer to Chapter 4.2)

《http://www.mt-pharma.co.jp/e/company/pdf/cg_policy_e.pdf》

- With respect to the scope of matters to be delegated to the management team of the Board of Directors, the Company, in addition to setting monetary standards regarding business, assets, transactions, etc. in the internal rules including the Board of Director Rules, designates matters to be deliberated at and reported to the Board of Directors, taking into consideration the significance of the impact of the matter may have on the Company from a practical perspective. At the same time, the Company clarifies persons in charge of final approval of

business execution on which the authority is delegated and the scope of such authority, and implements such initiatives accordingly.

[Principle 4.9]

- The Criteria for Independence of Outside Board Directors and Outside Corporate Auditors is provided in “II 1. (4) Independent Board Directors and Independent Corporate Auditors” of this Report and posted on the Company’s website.

《http://www.mt-pharma.co.jp/shared/show.php?url=../e/company/pdf/dokuritsu_e.pdf》

[Supplementary Principle 4.11.1]

- Perspectives on the balance of the Board of Directors as a whole are as provided in the CG Policies. (Please refer to Chapter 4.2)

《http://www.mt-pharma.co.jp/e/company/pdf/cg_policy_e.pdf》

- The Company has set the number of Board Directors to be no more than ten (10) in its Articles of Incorporation in consideration of an appropriate board size suitable for substantive discussion, in addition to maintaining a balance of knowledge, experience, capabilities, etc. required for the management of the Company as well as diversity.

[Supplementary Principle 4.11.2]

- The status of significant concurrent positions of Board Directors and Corporate Auditors at other companies is provided every year in the Business Report and Annual Securities Report.

《http://www.mt-pharma.co.jp/e/ir/soukai/pdf/soukai09_syosyu_e.pdf》

[Supplementary Principle 4.11.3]

The Company conducted an assessment of board effectiveness for FY2015 in an effort to enhance corporate value by increasing the effectiveness of the Board of Directors.

1. Assessment method

The assessment of board effectiveness was conducted through a self-assessment survey by all the Board Directors and Corporate Auditors, as well as interviews to Outside Board Directors, the results of which were discussed at the meetings of the Board of Directors.

2. Overview of assessment results

The Company confirmed that the effectiveness of its Board of Directors has been assured in that a system has been established for exercising supervising functions over the management, in terms of appropriateness of its composition, operation and deliberations, and its treatment of Outside Board Directors, and that deliberations are conducted and resolutions are made for enhancing corporate value.

The Company, as an independent and listed company, from the perspective of protecting the common interests of shareholders, has concluded that it shall make greater efforts to ensure the transparency of management, while at the same time further consider the number of Independent Outside Board Directors and training program for its executives. The Company will take the foregoing into account and leverage them in the operations of the Board of Directors in the following fiscal year onward.

[Supplementary Principle 4.14.2]

- Policies on Board Director and Corporate Auditor training are as provided in the CG Policies. (Please refer

to Chapter 4.4)

《http://www.mt-pharma.co.jp/e/company/pdf/cg_policy_e.pdf》

[Principle 5.1]

- Policies on dialogue with shareholders are posted on the Company's website.

《http://www.mt-pharma.co.jp/e/company/pdf/taiwa_e.pdf》

2. Capital Structure

Foreign Shareholding Ratio	From 10% to less than 20% (17.69%)
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[Status of Major Shareholders] **Updated**

Name / Company Name	Number of Shares Owned	Percentage (%)
Mitsubishi Chemical Holdings Corporation	316,320,069	56.34
The Master Trust Bank of Japan, Ltd. (Trust)	25,438,400	4.53
Nippon Life Insurance Company	12,065,881	2.15
Japan Trustee Services Bank, Ltd. (Trust)	11,199,700	1.99
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	7,254,993	1.29
Japan Trustee Services Bank, Ltd. (Trust No. 9)	6,176,200	1.10
State Street Bank West Client - Treaty 505234	5,602,372	1.00
State Street Bank and Trust Company 505225	4,552,955	0.81
Mitsubishi Tanabe Pharma Employee Shareholder's Association	4,002,713	0.71
Nipro Corporation	3,821,700	0.68

Controlling Shareholder (except for Parent Company)	None
Parent Company	Mitsubishi Chemical Holdings Corporation (Listed: Tokyo) 4188

Supplementary Explanation

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3. Corporate Attributes

Listed Stock Market and Market Section	Tokyo Stock Exchange First Section
Fiscal Year-End	March
Type of Business	Pharmaceutical
Number of Employees (consolidated) as of the End of the Previous Fiscal Year	More than 1000
Sales (consolidated) as of the End of the Previous Fiscal Year	From ¥100 billion to less than ¥1 trillion
Number of Consolidated Subsidiaries as of the	From 10 to less than 50

4. Policy on Measures to Protect Minority Shareholders in Conducting Transactions with Controlling Shareholder Updated

- 1) Mitsubishi Chemical Holdings Corporation (MCHC), the Company's parent company, is a holding company, and accordingly, MCHC and the Company share know-hows between each other, jointly use assets and facilities including IT system, and group network, exchange human resources with a view to leverage both human and tangible resources held by the MCHC Group, as well as deposit funds with MCHC. However, there are no transactions that may potentially impact the performance of the Company, and none of such transactions are planned to take place in the future.
- 2) In regard to transactions between the Company and other companies in the MCHC Group, the highest priority is given in the decision-making to increase the enterprise value of the Mitsubishi Tanabe Pharma Group in order to maximize the benefits to all of the Company's shareholders.
- 4) In regard to transactions between the Company and other companies in the MCHC Group, the Company verifies the adequacy and economic rationality such as whether the terms and conditions are equivalent to those of general transactions. Significant transactions are subject to sufficient deliberations and approval by the Board of Directors, which includes two or more Independent Outside Board Directors, from the perspective of ensuring the common interests of the Group and shareholders.

5. Other Special Circumstances which may have Material Impact on Corporate Governance

In regard to independence from the parent company, the Company and MCHC, its parent company, have agreed that the Company will maintain its listing status on the stock exchange, that MCHC will, in principle, maintain its stockholding ratio in the Company for ten (10) years from October 1, 2007, and that the Company will be operated based on independent judgmental standards as a publicly listed company. The Company believes that it has secured its independence from its parent company.

II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management

1. Organizational Composition and Operation

Organization Form	Company with Board of Corporate Auditors
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[Directors]

Maximum Number of Directors Stipulated in Articles of Incorporation	Up to 10
Term of Office Stipulated in Articles of Incorporation	1 year
Chairperson of the Board	Chairman of the Board
Number of Directors Updated	8
Appointment of Outside Directors	Appointed
Number of Outside Directors Updated	2
Number of Independent Directors Updated	2

Outside Directors' Relationship with the Company (1) **Updated**

Name	Attribute	Relationship with the Company*										
		a	b	c	d	e	f	g	h	i	j	k
Shigehiko Hattori	From another company											
Shigeki Iwane	From another company											

* Categories for "Relationship with the Company"

- * "○" when the director presently falls or has recently fallen under the category;
- "△" when the director fell under the category in the past
- * "●" when a close relative of the director presently falls or has recently fallen under the category;
- "▲" when a close relative of the director fell under the category in the past

- a. Executive of the Company or its subsidiaries
- b. Non-executive director or executive of a parent company of the Company
- c. Executive of a fellow subsidiary company of the Company
- d. A party whose major client or supplier is the Company or an executive thereof
- e. Major client or supplier of the listed company or an executive thereof
- f. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides remuneration as a director/*kansayaku*
- g. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)
- h. Executive of a client or supplier company of the Company (which does not correspond to any of d, e, or f) (the director himself/herself only)
- i. Executive of a company, between which and the Company outside directors/*kansayaku* are mutually appointed (the director himself/herself only)
- j. Executive of a company or organization that receives a donation from the Company (the director himself/herself only)
- k. Others

Outside Directors' Relationship with the Company (2) **Updated**

Name	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons of Appointment
Shigehiko Hattori	Designated	Not applicable	Shigehiko Hattori was selected and appointed for Outside Board Director on account of the Company's judgment that his abundant experience as a corporate manager and his wide-ranging knowledge in science and technology are suitable for an Outside Board Director. He meets the independence standards of the Tokyo Stock Exchange, Inc. (TSE) as well as the Company's "Criteria for Independence of Outside Board Directors and Outside Corporate Auditors" (please refer to II 1. (4) "Independent Board Directors and Independent Corporate Auditors" of this Report). Accordingly, Shigehiko Hattori was appointed as an Independent Board Director based on the Company's judgment that there are no potential conflicts of interest between him and general shareholders.
Shigeki Iwane	Designated	Not applicable	Shigeki Iwane was selected and appointed for Outside Board Director on account of the Company's judgment that his abundant experience as a corporate manager and his wide-ranging knowledge in corporate governance are suitable for an Outside Board Director. He meets the independence standards of the Tokyo Stock Exchange, Inc. (TSE) as well as the Company's "Criteria for Independence of Outside Board Directors and Outside Corporate Auditors" (please refer to II 1. (4) "Independent Board Directors and Independent Corporate Auditors" of this Report). Accordingly, Shigehiko Hattori was appointed as an Independent Board Director based on the Company's judgment that there are no potential conflicts of interest between him and general shareholders.

Voluntary Establishment of Committee(s) Corresponding to Nomination Committee or Compensation Committee Updated	Established
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Status of the Establishment of a Discretionary Committee, Composition and Attributes of Chairperson

Updated

	Committee's name	All committee members	Full-time members	Internal Directors	Outside Directors	Outside Experts	Others	Chairperson
Committee corresponding to Nomination	Nomination Committee	5	0	2	2	0	1	Outside Director
Committee corresponding to Compensation Committee	Compensation Committee	5	0	2	1	0	2	Outside Director

Supplementary Explanation **Updated**

- The Nomination Committee and Compensation Committee are chaired by Independent Outside Board Directors, and comprised in the majority of Independent Outside Officers, i.e. Board Directors and Auditors).
- The members of the Nomination Committee and Compensation Committee are selected from among Board Directors and Corporate Auditors by the Board of Directors, and the General Affairs & Human Resources Department serves as the secretariat to these Committees.

[Kansayaku (Corporate Auditor)]

Establishment of <i>Kansayaku</i> Board	Established
Maximum Number of <i>Kansayaku</i> Stipulated in Articles of Incorporation	Up to 5
Number of <i>Kansayaku</i>	4

Cooperation among *Kansayaku*, Accounting Auditors and Internal Audit Departments

The Corporate Auditors work in cooperation with Accounting Auditors through receiving explanations from the Accounting Auditors of audit plans and policies as well as quarterly reports on audit details and its results. The Corporate Auditors will also regularly exchange opinions with the Accounting Auditors, and carry out site visits when necessary, as well as on-site inventory counts.

Furthermore, Corporate Auditors and Internal Audit Department work in close collaboration by exchanging opinions with them on a monthly basis concerning audit plans developed by the Internal Audit Department, as well as progress and results of audits in accordance with the plan. At the same time, the Corporate Auditors receive reports on the results of the evaluation of internal control systems for financial reporting.

Appointment of Outside <i>Kansayaku</i>	Appointed
Number of Outside <i>Kansayaku</i>	2
Number of Independent <i>Kansayaku</i>	2

Outside *Kansayaku*'s Relationship with the Company (1) **Updated**

Name	Attribute	Relationship with the Company*												
		a	b	c	d	e	f	g	h	i	j	k	l	m
Takashi Nishida	From another company				△									
Tadashi Fukuda	Certified Public Accountant													

* Categories for "Relationship with the Company"

* "○" when the director presently falls or has recently fallen under the category;

"△" when the director fell under the category in the past

* "●" when a close relative of the director presently falls or has recently fallen under the category;

"▲" when a close relative of the director fell under the category in the past

- Executive of the Company or its subsidiary
- Non-executive director or accounting advisor of the Company or its subsidiaries
- Non-executive director or executive of a parent company of the Company
- Kansayaku* of a parent company of the Company
- Executive of a fellow subsidiary company of the Company
- A party whose major client or supplier is the Company or an executive thereof
- Major client or supplier of the Company or an executive thereof
- Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides remuneration as a *kansayaku*
- Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)
- Executive of a client or supplier company of the Company (which does not correspond to any of f, g, or h) (the *kansayaku* himself/herself only)
- Executive of a company, between which and the Company outside directors/*kansayaku* are mutually appointed (the *kansayaku* himself/herself only)
- Executive of a company or organization that receives a donation from the Company (the *kansayaku* himself/herself only)
- Others

Outside *Kansayaku*'s Relationship with the Company (2) **Updated**

Name	Designation as Independent <i>Kansayaku</i>	Supplementary Explanation of the Relationship	Reasons of Appointment
Takashi Nishida	Designated	Takashi Nishida had served as an Outside Corporate Auditor of Mitsubishi Chemical Holdings Corporation, the Company's parent company, until June 24, 2015.	Takashi Nishida was selected and appointed for Outside Corporate Auditor on account of the Company's judgment that his abundant experience and knowledge gained at the banking and securities industries and his wide-ranging knowledge in financial affairs are suitable for an Outside Corporate Auditor. He meets the independence standards of the TSE as well as the Company's "Criteria for Independence of Outside Board Directors and Outside Corporate Auditors" (please refer to "II 1. Independent Board Directors and

			Independent Corporate Auditors” of this Report). Accordingly, Takashi Nishida was appointed as an Independent Corporate Auditor based on the Company’s judgment that there are no potential conflicts of interest between him and general shareholders.
Tadashi Fukuda	Designated	Not applicable	Tadashi Fukuda was selected and appointed for Outside Corporate Auditor on account of the Company’s judgment that his abundant experience and highly sophisticated knowledge as an attorney are suitable for an Outside Corporate Auditor. He meets the independence standards of the TSE as well as the Company’s “Criteria for Independence of Outside Board Directors and Outside Corporate Auditors” (please refer to “II 1. Independent Board Directors and Independent Corporate Auditors” of this Report). Accordingly, Tadashi Fukuda was appointed as an Independent Corporate Auditor based on the Company’s judgment that there are no potential conflicts of interest between him and general shareholders.

[Independent Directors/*Kansayaku* (Corporate Auditor)]

Number of Independent Directors/ <i>Kansayaku</i> Updated	4
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Matters relating to Independent Directors/*Kansayaku*

Comments and advices concerning the Company’s management are given at the meetings of the Board of Directors and the Board of Corporate Auditors from the standpoint of Independent Board Directors and Independent Corporate Auditors. All four of the Outside Board Directors and Outside Corporate Auditors have been designated as Independent Board Directors and Independent Corporate Auditors by the Company. The Company formulated the Criteria for Independence of Outside Board Directors and Outside Corporate Auditors to secure independence of its Outside Board Directors and Outside Corporate Auditors. The details are outlined as follows.

1. An Outside Board Director/Outside Corporate Auditor (refers to Outside Board Directors and Outside Corporate Auditors as provided for in the Companies Act) is deemed independent and appointed as an

Independent Board Director/Independent Corporate Auditor if he/she does not fall under any of the following.

(1) Parent company, etc., and Major Shareholders

1) Parent company or Major Shareholders

2) A person who currently serves or has served within the past one year as a Board Director, Corporate Auditor, Corporate Officer, Executive Officer, Manager or others of the parent company or Major Shareholders (including parent company and important subsidiaries thereof) of the Company (excluding Outside Board Directors and Outside Corporate Auditors in the case of important subsidiaries)

* A “Major Shareholder” refers to a shareholder who directly or indirectly holds 10% or more of the total voting rights on shares of the Company.

* The condition in terms of the period of “within the past one year” will be in effect at the closing of the General Meeting of Shareholders in regard to the fiscal year ending March 31, 2016.

(2) Major business partners

1) A party whose major client or supplier is the Company or its subsidiaries (collectively the “Group”) in any of the most recent three fiscal years

* A party whose major client or supplier is the Group refers to a party which receives payment from the Group equivalent to 2% or more of the party’s consolidated gross sales

2) A major client or supplier of the Group in any of the most recent three fiscal years

* A major client or supplier of the Group refers to a party which make payments equivalent to 2% or more of the Company’s consolidated gross sales to the Group

3) A person who currently serves or has served within the past one year as an Executive Board Director, Corporate Officer, Executive Officer, Manager or others of the above 1) or 2) (including the parent company and important subsidiaries thereof)

(3) Accounting Auditors

A person who currently serves or has served within the past three years as the Company’s Accounting Auditor or its employee, etc.

(4) Consultants

1) A person who is a certified public accountant, tax accountant, attorney or other consultant not falling under the above (3) and who receives monetary or other financial benefits exceeding a certain amount, other than remuneration for Board Directors/Corporate Auditors, from the Group.

* “A certain amount” refers to ¥10.0 million or more per year (average over the past three years).

2) A person who is a professional advisor belonging to an auditing firm, tax accounting firm, law firm, consulting firm or other firms not falling under the above (3) and is an employee, etc. of a firm whose major client or supplier is the Group

* “A firm whose major client or supplier is the Group” refers to a firm which receives payment from the Group equivalent to 2% or more of the firm’s consolidated gross sales (average over the past three years)

(5) Recipients of Donations

A Director (limited to those with executive functions) or other persons with executive functions of an organization that receives a donation or grant exceeding a certain amount from the Group

* “A certain amount” refers to ¥10.0 million or more per year (average over the past three years), or 30% of the total annual expenses of said organization, whichever is greater.

(6) Mutual appointment of officers

An important person who is a Board Director, Corporate Auditor, Corporate Officer, Executive Officer, Manager, or others of a company (including the parent company or important subsidiaries thereof) which accepts Board Directors from the Group.

(7) Close relatives, etc.

1) A person who is a spouse, relative within the second degree of kinship, or a relative living together with a person of the Group’s Board Directors, Corporate Auditors, Corporate Officers, Executive Officers, Managers, or others.

2) A person who is a spouse, relative within the second degree of kinship, or co-habiting relative of the party falling under the above (1) to (6) (in the case of employees, limited to important employees)

2. In the election of Independent Board Directors and Independent Corporate Auditors, if the person substantially has conflicts of interest with the Company for the reasons other than those provided for in each item of the preceding paragraph, the Company does not elect such Outside Board Director or Outside Corporate Auditor as an Independent Board Director or Independent Corporate Auditor.

[Incentives]

Incentive Policies for Directors	Other
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Supplementary Explanation

Remuneration for Executive Board Directors is determined taking corporate performance, etc. into consideration.

Recipients of Stock Options	-
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Supplementary Explanation

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[Director Remuneration]

Disclosure of Individual Directors’ Remuneration	No Individual Disclosure
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Supplementary Explanation **Updated**

Remuneration for Board Directors was ¥344 million for FY2015.

Policy on Determining Remuneration Amounts and Calculation Methods	Established
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Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods

The performance-linked calculation method is adopted to determine the remuneration for Executive Board Directors. The Board of Directors establishes standards for calculating the Board Directors' remuneration within the scope of resolutions at the general meeting of shareholders. The remuneration is determined in accordance with the standards to ensure transparency in determining the remuneration.

[Supporting System for Outside Directors and/or *Kansayaku*] Updated

Outside Board Directors' execution of business duties is supported by the CEO Office of the Corporate Strategic Planning Department, the Secretariat of the Board Meeting the Secretariat of Nomination Committee and Compensation Committee which is voluntarily established and other corporate staff. The Company makes every effort to distribute materials for the Board meetings in advance, and Board Directors, Executive Officers and the Secretariat of the Board of Directors give explanations, as required, prior to the meeting. The Corporate Auditors Office, independent from the execution of business duties, is established to provide support to Corporate Auditors including Outside Corporate Auditors in their performance of duties.

2. Matters on Functions of Business Execution, Auditing, Oversight, Nomination and Remuneration Decisions (Overview of Current Corporate Governance System) Updated

The Board of Directors comprise eight members (8 males and 0 females), two of whom are Outside Board Directors so as to secure transparency and objectivity in its decision-making and supervising functions. The Company holds regular meetings of the Board of Directors once a month and additional meetings as needed and flexibly makes decisions on execution of important matters. In addition, the Company conducts business management in a prompt and efficient manner by adopting the executive officer system and clarifying duties function of the decision-making and supervising and function of the execution of the business. For function of the execution of business, the Executive Committee, which consists of the Managing Executive Officers including the President and CEO, and other officers, meets two or more times per month as a general rule to discuss in advance the agenda of the meetings of the Board of Directors and deliberates on matters to assist in the President and CEO's decision making.

The Board of Corporate Auditors has four members (4 males and 0 females, two of whom are Outside Corporate Auditors). The Company has nominated attorneys, who are legal specialists, and those who have experience in banks or securities companies with broad insights in the fields of finance and accounting to be Outside Corporate Auditors. The Board of Corporate Auditors, as an organ independent from the Board of Directors, makes appropriate decisions from an objective standpoint in fulfilling its roles and responsibilities, which include the auditing of business execution of Board Directors, accounting audits, and exercising its authority with respect to the selection and dismissal of Accounting Auditors and audit compensation.

Corporate Auditors attend important meetings, such as meetings of the Board of Directors, etc. In addition, they conduct interviews on the execution of duties with Board Directors, Executive Officers, and members of each division, review documents relating to major decisions, and investigate the operations and assets of principal worksites and subsidiaries (including internal control systems such as those for compliance and risk management). In these ways, the Corporate Auditors audit the execution of Company business. In addition, the Board of Corporate Auditors is strengthening the audit function through cooperation with the Accounting Auditors and the Internal Audit Department. Furthermore, to provide support for the Corporate Auditors in the execution of their duties, the Company has established the Corporate Auditors Office, which is independent from business execution. The Corporate Auditors Office has three full-time staff.

For internal auditing, the Company has established the Internal Audit Department, which operates independently of the executive divisions and audit the internal control systems in each of the executive

divisions.

The Company has appointed Ernst & Young ShinNihon LLC as its Accounting Auditor. There are three certified public accountants, Messrs. Yoshio Ogawa, Kenji Endo, and Hiroyuki Kurihara, who are in charge of the accounting audits. Assisting in the accounting audits are 12 certified public accountants and 17 other staff.

Furthermore, in an effort to strengthen the independence, objectivity and accountability of the functions of the Board of Directors with respect to the nomination and compensation of its executives, the Company has established and operates voluntary committees chaired by an Independent Outside Board Director, and comprised in the majority of Independent Outside Officers (Board Directors and Corporate Auditors).

The Company has entered into liability limitation contracts with Outside Board Directors and Outside Corporate Auditors that limit their liability for damages under Article 423, Paragraph 1 of the Companies Act, within the limits stipulated by laws and regulations.

3. Reasons for Adoption of Current Corporate Governance System **Updated**

The Company is a pharmaceutical company which is a regulated industry based on the healthcare system. As such, the Company's decision-making requires profound knowledge and experience in regulatory and industry for pharmaceutical affairs. Under such condition, with regard to the Board of Directors, the Company has established a system whereby the transparency and objectivity of its decision-making and supervising function are secured by including Independent Outside Board Directors with abundant experience and wide-ranging insight as corporate managers, as well as Board Directors with a wealth of business experience and knowledge in the pharmaceutical industry as board members. In regards to the Board of Corporate Auditors, by including Independent Outside Corporate Auditors with highly specialized expertise in the areas of finance, accounting and law, as well as Corporate Auditors with experience and insight in the pharmaceutical industry as board members, the Company has established a system whereby audits are conducted appropriately from an objective standpoint as an organ independent of the Board of Directors.

Based on the above, the Company recognizes the system of a company with Board of Corporate Auditors to be the most effective form of corporate governance for the Company at present.

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

- 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.
- To supervise the management through selection and dismissal of the senior management team and other important decision-making by the Board of Directors.
- To supervise conflicts of interest between the Company, the management team and major shareholders.
- 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.

III. Implementation of Measures for Shareholders and Other Stakeholders

1. Measures to Vitalize the General Shareholder Meetings and Smooth Exercise of Voting Rights

Updated

	Supplementary Explanations
Early Notification of General Shareholder Meeting	Applicable (sent at least three business days prior to the statutory due date) In 2016, the notice of convocation was sent on May 31 2016, 7 days before statutory due date.
Scheduling AGMs Avoiding the Peak Day	In principle, general meetings are held during off-peak days In 2016, the General Meeting was held on June 22, 2016.
Allowing Electronic Exercise of Voting Rights	Since the General Meeting of Shareholders in 2008, the Company has adopted the method of exercising voting rights via the Internet.
Participation in Electronic Voting Platform	- Since the General Meeting of Shareholders in 2009, the Company has adopted the platform for institutional investors to exercise voting rights. - Notice of convocation is sent to custodians and beneficial shareholders (institutional investors) in Japan and overseas.
Providing Convocation Notice in English	The Company prepares an English version of the notice of convocation and posts it on its website and the platform for institutional investors to exercise voting rights.
Other	Notices of Convocation (Japanese/English) are posted on the Company's website one week prior to its dispatch. In 2016, the notice of convocation was posted on the Company's website 11 days before the date of sending them.

2. IR Activities

	Supplementary Explanations	Explanation by Representative
Regular Investor Briefings for Individual Investors	The Company held 11 briefings for individual investors in the fiscal year ended March 31, 2016.	Not Available
Regular Investor Briefings for Analysts and Institutional Investors	The Company hosts results briefings by its President & Representative Director after the announcement of year-end financial results and the medium-term management plans on a regular basis. In addition, a telephone conference is held after the announcement of the first quarter and the third quarter financial results announcement, respectively.	Available
Regular Investor Briefings for Overseas Investors	Content of the briefings for institutional investors held in Japan are translated into English, and its audio streaming (text versions for Q&A) is made available.	Not Available
Posting of IR Materials on Website	Financial reports, presentation materials for results and other briefings for investors, videos (audio) and Q&A, press releases, securities reports, notice of convocation, notice of resolutions, extraordinary reports, business activity reports, annual reports, etc. are posted on the Company's website. The Company offers an e-mail newsletter to provide IR updates to investors, and has set up an inquiry desk to enable bilateral communication with shareholders.	
Establishment of Department and/or Manager in Charge of IR	The IR Group of the Corporate Communications Department is in charge of IR matters.	

3. Measures to Ensure Due Respect for Stakeholders

	Supplementary Explanations
Stipulation of Internal Rules for Respecting the Position of Stakeholders	<p>Our corporate philosophy of “contributing to the healthier lives of people around the world through the creation of pharmaceuticals,” and our corporate vision of “becoming a global research-driven pharmaceutical company that is trusted by communities” are set out by resolution of the Board of Directors.</p> <p>The Company formulated the Corporate Behavior Charter, which identifies the top priorities for Board Directors and employees in the implementation of business activities, and the Mitsubishi Tanabe Pharma Declaration on Compliance and Behavior, which provides guidelines on human rights, compliance with laws and regulations in the course of conducting business activities, conservation of the global environment, fair trade, proper information management, and standards to maintain behavior with a keen sense of ethics as an individual working in a life science company.</p> <p>Furthermore, the Corporate Governance Policy of Mitsubishi Tanabe Pharma Corporation provides for the Company’s contribution in solving environmental and social issues and realizing a sustainable society through measures such as enhancement of the Quality of Life (QOL) of patients, appropriate collaboration with medical practitioners, and symbiosis with local communities.</p>
Implementation of Environmental Activities, CSR Activities etc.	<p>In accordance with the Declaration of Mitsubishi Tanabe Pharma Group Corporate Citizenship Activities, as a good corporate citizen, the Company set up the Secretariat of Corporate Citizenship Activities and takes initiatives in community-conscious and global environment-conscious activities based on the rules and plans to resolve issues concerning health and the environment that exist in the countries and regions where the Company conducts business activities. In addition, the Company formulated environmental safety management regulations and developed an environmental safety management promotion system, and a Mitsubishi Tanabe Pharma Basic Policy on Environmental Safety to share policies on overall environmental safety and to facilitate environmental management.</p> <p>“Corporate Report” is published to provide more details on the Company’s CSR activities. “CSR activity report website” is updated and available for view on the Company’s website.</p> <p>《 http://www.mt-pharma.co.jp/shared/show.php?url=/e/company/csr-report/index.html 》</p>
Development of Policies on Information Provision to Stakeholders	<p>The Company formulates information disclosure regulations, stipulates items necessary for fair, timely and appropriate disclosure of important corporate information concerning corporate activities, and endeavors to disclose information in a proactive manner.</p>
Other	<p>The Company’s basic policies in promoting female employees to take active roles in the workforce are to foster female workers’ career awareness, reform awareness of coworkers, and expand and upgrade the system. The Company believes it important to create an open and flexible workplace where diversity and independence are respected. Based on this idea, the Company has adopted a working style that can provide flexibility according to each employee’s lifestyle.</p> <p>In order to increase the percentage of women in management positions, the Company, by FY2020, will implement measures to enhance capabilities and to raise awareness of women, and to enhance the employees’ awareness of diversity and to adopt systems that will enable diverse working styles, thereby providing an environment conducive to women aiming for management positions.</p>

	Furthermore, recognizing the health of its employees to be a management priority, the Company has established the Health Policy and Health Management Rules, and has been promoting mental and physical health management of the Group employees.
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IV. Matters Related to the Internal Control System

1. Basic Views on Internal Control System and the Progress of System Development

The fundamental policies for the maintenance of internal control systems, based on the resolution of the Board of Directors, are provided as follows. The Company maintains its internal controls systems in accordance with these fundamental policies, its status of maintenance is reported at the Board of Directors once a year, and revisions are made if necessary.

Fundamental Policies for the Maintenance of Internal Control Systems

The Company's corporate philosophy is to contribute to the healthier lives of people around the world through the creation of pharmaceuticals, and its vision is to become a global research-driven pharmaceutical company that can be trusted by communities. To successfully realize these corporate objectives, as outlined below, the Company has created fundamental policies for the maintenance of internal control systems at the corporate group (hereinafter the "Group") which is composed of the Company and subsidiaries, and the Company have implemented initiatives to strengthen our corporate governance and internal control systems.

1. Systems to ensure that Board Directors and employees comply with laws and regulations, and the Company's Articles of Incorporation when executing their duties

- (1) To ensure sound business activities, the Board Directors formulates the Corporate Behavior Charter, which identifies the top priorities for the Board Directors, Corporate Auditors, Executive Officers and employees in the implementation of business activities, and the Mitsubishi Tanabe Pharma Declaration on Compliance and Behavior, which provides specific behavioral guidelines. Board Directors, Corporate Auditors and Executive Officers take the lead and set examples through their strict compliance with laws and regulations, and the Company's Articles of Incorporation, and a companywide compliance system is established and managed.
- (2) Under the overall control of the Chief Compliance Officer for the compliance structure, the Compliance Committee and the division in charge of internal controls & compliance is formed and a spirit of compliance and a keen sense of ethics is established in the Company.
- (3) The division in charge of internal auditing is established, and it operates independently of the Operational Divisions and audits the internal control systems in each of them.
- (4) As an internal reporting system for legal and regulatory violations and other compliance-related matters, the Internal Reporting System is established and is managed according to separately defined regulations regarding compliance.
- (5) In accordance with disclosure rules, company information is announced in a timely and appropriate manner.
- (6) In accordance with the Declaration on Compliance and Behavior of the Mitsubishi Tanabe Pharma Group, the Company assumes a resolute attitude to groups that act in an anti-social group and severs, without exception, all relationships with them.
- (7) To ensure the trustworthiness of financial reporting, the Company establishes an internal control system for financial reporting, and works to ensure its appropriate operation and management.

2. Systems for the storage and management of information relating to the Board Directors' executing their duties

Based on the basic rules for information security and management of internal documents, which determine the basic policies for the handling of information held by the Company, the Company stores and manages information relating to the Board Directors' execution of their duties appropriately, and enable it to be inspected when necessary.

3. Crisis management regulations and other related systems

- (1) In accordance with the risk management regulations, the Company identifies and classifies risks that may occur as the Company conducts its operations, and the Company ensures each department is ready to implement necessary countermeasures. To facilitate a group-wide response to risks, the Company establishes the Risk Management Committee and works to reduce risks.
- (2) When it appears that risk events may occur, giving rise to serious damage, the Company responds swiftly and accurately in accordance with the system prescribed in its risk management regulations.

4. Systems to ensure the Board Directors execute their duties efficiently

- (1) Board of Directors meetings are held regularly, providing for efficient administrative execution.
- (2) The Company adopts the executive officer system to clarify distinctions between the management decision-making/supervision function and the executive function. Executive Board Directors may also serve as Executive Officers.
- (3) The Company establishes the Executive Committee to deliberate on important matters relating to the execution of operations for management as a whole.
- (4) The Company and each department manage budgets and performance based on the medium-term management plan and the annual plan and budget.

5. Systems to ensure business compliance for the Group

Based on regulations on group management, in addition to sharing the internal control system, such as the compliance structure and risk management structure, across the entire Group, business compliance for the Group is ensured through reports and approvals, etc., regarding important items for management of the Group.

6. Systems to ensure that the Corporate Auditors conduct audits effectively

- (1) As employees to provide support for the work of the Corporate Auditors, a Corporate Auditors Office independent from business execution departments is established, and the opinions of the Board of Corporate Auditors are respected for the appointment, evaluation, and transfer of the members of the Corporate Auditors Office.
- (2) Regarding the business execution status of Board Directors and employees, a structure is established to allow for periodic reports to the Corporate Auditors, and in the event that facts arise or may arise that may cause serious damage to the Group, or dishonest acts or facts that conflict with laws and regulations or the Articles of Incorporation occur regarding the execution of duties Board Directors or employees, a report is made to the Corporate Auditors without delay.
- (3) It is stipulated that parties who report to the Corporate Auditors under the previous items cannot be penalized due to such reporting.
- (4) On a group-wide basis, the Group establishes systems to allow audits by the Corporate Auditors to be performed effectively, including attending all important meetings, investigating related departments, reviewing documents related to important matters, responding to interview requests from the Corporate Auditors, and responding proactively to information disclosure requests from the Corporate Auditors.
- (5) The Company prepares a budget for expenses required for the Corporate Auditors to execute duties on the opinions of the Corporate Auditors, and establishes a system that Corporate Auditors are able to execute duties without impediment.

2. Basic Views on Eliminating Anti-Social Forces

In accordance with the Corporate Behavior Charter and the Mitsubishi Tanabe Pharma Declaration on Compliance and Behavior, the Company takes a resolute attitude with no compromise for eliminating any connections with anti-social forces.

Status of Measures Taken for the Elimination of Anti-Social Forces

-The Company stipulates in the Mitsubishi Tanabe Pharma Declaration on Compliance and Behavior not to provide gains to anti-social forces. Specific action plans to be followed in case of emergency are also defined therein.

-The Company formulated guidelines for checking business partners for any possible affiliations with such anti-social forces, based on which the Company has completed the screening of its existing business partners. The Company screens its new business partners in advance to avoid transactions with any anti-social forces.

V. Other

1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	Not Adopted
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Supplementary Explanation

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2. Other Matters Concerning to Corporate Governance System

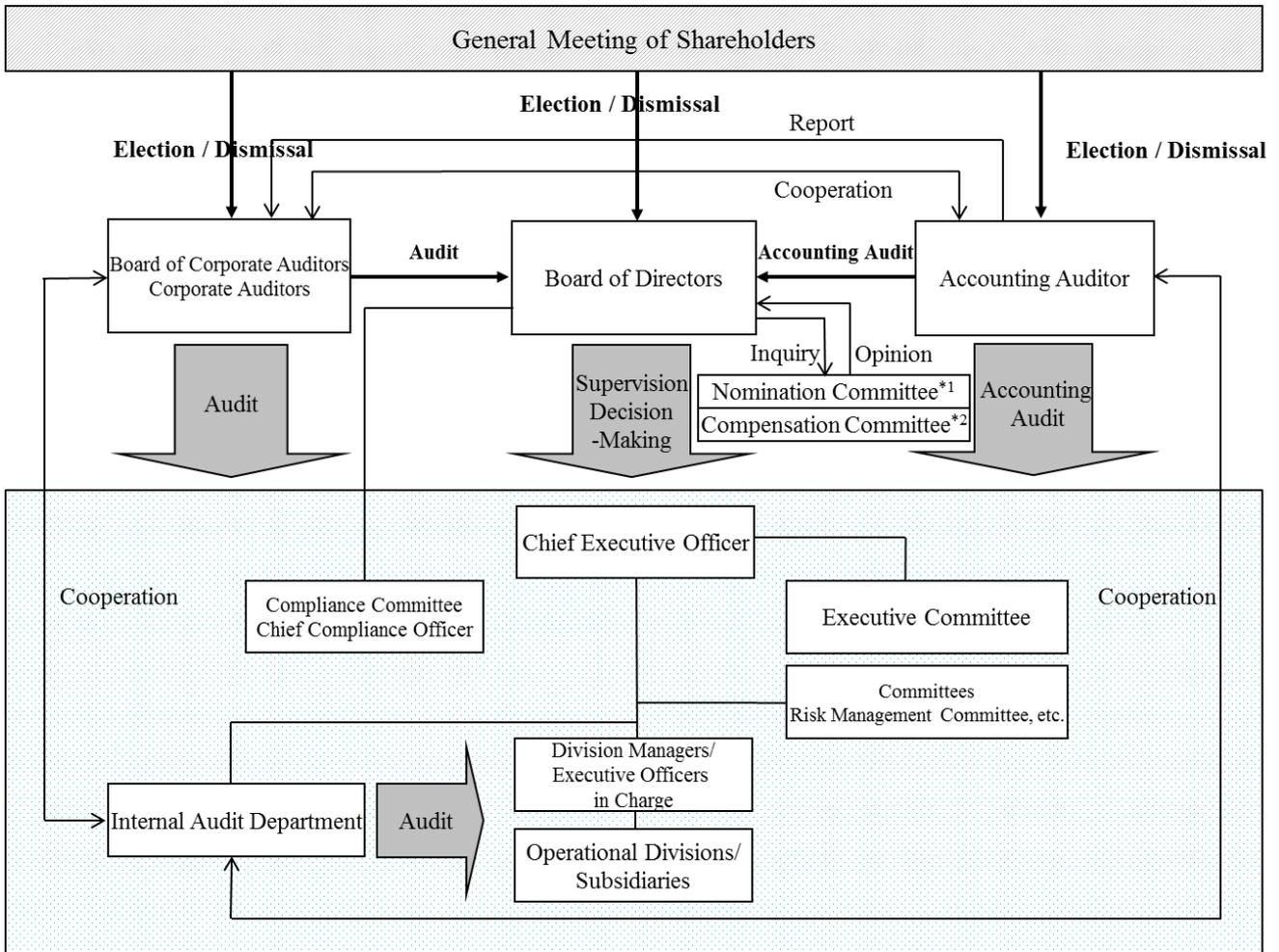
■ Overview of the Timely Disclosure System

In order to facilitate understanding of all stakeholders including employees, shareholders, investors, patients and medical practitioners, business partners and local communities of the Company, and to obtain fair evaluation of the Company from them, the Company and its subsidiaries (hereinafter the “Group”) disclose important Company information related to its corporate activities in a fair, timely, and appropriate manner. In regard to information disclosure, the Group adheres to the Financial Instruments and Exchange Act and other laws and regulations relating to information disclosure and regulations of the stock exchange where the Group’s securities are listed, and strives to ensure that both the content and timing of information disclosure is fair to all stakeholders.

Moreover, as a member of society, the Group takes feedback from all stakeholders with due respect, and work to share information with shareholders, thereby deepen mutual understanding.

- (1) In accordance with the listing regulations, among “corporate information required for timely disclosure,” “information on financial results” is determined by deliberation at the Executive Committee and by resolution of the Board of Directors, and is disclosed in a timely manner after the Corporate Communications Department obtains the approval from the President & Representative Director.
- (2) In accordance with the listing regulations, among “corporate information required for timely disclosure,” “information on determined material facts” is processed by the related departments pursuant to the Company’s internal rules such as Executive Committee rules, and Board of Directors’ rules, and is disclosed in a timely manner after the Corporate Communications Department obtains the approval from the President & Representative Director.
- (3) In accordance with the listing regulations, among “corporate information required for timely disclosure,” “information on material facts which occurred regardless of the Company’s intent” is discussed by the Corporate Communications Department in collaboration with the related divisions following the occurrence of the events and facts. The information is disclosed in a timely manner after a responsible person in charge of information disclosure (General Manager of the Corporate Communications Department) examines the appropriateness of the disclosure, and reports it to the President & Representative Director.

■ Corporate Governance Diagram (for reference)



*1: An advisory committee for nomination of executives which is voluntarily established by the Board Meeting

*2: An advisory committee on executive compensation which is voluntarily established by the Board Meeting