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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, together with its subsidiaries and affiliates (collectively the “MTPC Group”), have 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 MTPC Group places the highest priority on fulfilling its responsibilities to all of its stakeholders, including shareholders, and working to achieve the sustainable growth of MTPC 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, MTPC Group sets forth the “Corporate Governance Policy of Mitsubishi Tanabe Pharma Corporation” and continuously works to realize an optimal corporate governance system in accordance with it.

《[https://www.mt-pharma.co.jp/e/company/pdf/cg\\_policy\\_e.pdf](https://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]

The Company implements all of the principles of the Corporate Governance Code.

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

[Principle 1.4]

- 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.
- The Company annually verifies the necessities of major 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. The Company endeavors to sell shares that it deems unnecessary to hold as a result of verifying shares strategically held. As of March 31, 2019, the company held shares in 12 listed companies, down from the 50 listed companies as of March 31, 2015.
- 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.

**[Principle 1.7]**

- 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.
- 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.

**[Principle 2.6]**

- The corporate pension fund is an organization independent of the Company, and may operate at its discretion. The Company, however, fully recognizes as a sponsor of the fund that its operation will influence employees' asset building as well as the Company's finance, and makes efforts to organize an appropriate management system, including secondment of appropriate employees and hiring the thirdparty professionals, so that the fund, as the asset owner, effectively functions as expected.

**[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.

《<https://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 compensation for senior management and Board Directors are as provided in “II. 1. Incentives and Director’s Compensation” of this Report.

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

- The Company selects Board Director candidates and Corporate Auditor candidates 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 MTPC Group and enhancement of its corporate value over the medium- to long-term. The Company selects candidates of Independent Outside Board Directors who may fulfill roles and responsibilities as follows.

(1) 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.

(2) To supervise the management through election and dismissal of the Executive Officers and other important decision-making by the Board of Directors.

(3) To supervise conflicts of interest among the Company, the management team and major shareholders.

(4) To appropriately reflect opinions of each stakeholder on the Board of Directors from a standpoint independent of the management team and Major Shareholders.

- Candidates for Board Directors, candidates for Corporate Auditors, and Executive Officers are determined by the Board of Directors upon the recommendation of a discretionary Nomination Committee chaired by an Independent Outside Board Director and comprised in the majority by Independent Outside Board Directors, and, additionally, upon obtaining the approval of the Board of Corporate Auditors with regard to the candidates for Corporate Auditors.

- 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.

- 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.

(v) The reasons of the nomination of each candidate for Board Directors and Corporate Auditors are as provided in the Reference Materials for the General Meeting of Shareholders.

(Please refer to pages 4 to 15)

《[https://www.mt-pharma.co.jp/e/ir/soukai/pdf/soukai12\\_syosyu\\_e.pdf](https://www.mt-pharma.co.jp/e/ir/soukai/pdf/soukai12_syosyu_e.pdf)》

#### **[Supplementary Principle 4.1.1]**

- With respect to the delegation to the Executive Officers from the Board, the matters to be resolved at the Board Meeting in accordance with the laws and regulations and the delegation of authority from the Board

Directors and Executive Officers to the lower level are set forth in the internal rules, and Board of Directors appropriately monitors and supervises implementation of delegated matters.

- With respect to the scope of matters to be delegated to the Executive Officers from the Board of Directors, the Company, in addition to setting monetary standards (e.g., including but not limited to business, assets, transactions) and 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, in the internal rules including the Board of Director Rules. At the same time, the Company clarifies persons in charge of final approval of business execution as well as the delegated authority and scope, and implements such delegation of authority.

**[Principle 4.9]**

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

《[https://www.mt-pharma.co.jp/shared/show.php?url=../e/company/pdf/dokuritsu\\_e.pdf](https://www.mt-pharma.co.jp/shared/show.php?url=../e/company/pdf/dokuritsu_e.pdf)》

**[Supplementary Principle 4.11.1]**

- The Board of Directors should combine balance and diversity, such as genders, nationalities and races. 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.
- With respect to the number of Board Directors, 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.

**[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 attached to Notice of Convocation of the 11th Ordinary General Meeting of Shareholders. (Please refer to pages 30).

《[https://www.mt-pharma.co.jp/e/ir/soukai/pdf/soukai12\\_syosyu\\_e.pdf](https://www.mt-pharma.co.jp/e/ir/soukai/pdf/soukai12_syosyu_e.pdf)》

**[Supplementary Principle 4.11.3]**

The Company conducted an assessment of effectiveness of the Board of Directors held in Fiscal Year 2018 in an effort to enhance corporate value by increasing the effectiveness of the Board of Directors.

(1) Assessment target

Effectiveness of the Board of Directors, and Nomination and Compensation Committees (discretionary bodies).

(2) Assessment method

The assessment of effectiveness of the Board of Directors was conducted by means of a self-assessment survey to all of the Board Directors and Corporate Auditors (With respect to Nomination Committee and Compensation Committee, the assessment of effectiveness was made only to members of each committee), as well as interviews to Outside Board Directors, the results of which were discussed at the meetings of the Board of Directors.

(3) Overview of assessment results

The Company regards that the effectiveness of its Board of Directors and Nomination and Compensation Committees has been sufficiently assured at the present time as management systems have been established for exercising appropriate judgment and supervising over business operation, and the said systems have been properly operated as a Company with Board of Corporate Auditors, in terms of its composition, frequency and time of the meetings, deliberations and reporting, and supports to Outside Board Directors. The Company will continue striving to further enhance the effectiveness of its Board of Directors.

**[Supplementary Principle 4.14.2]**

- 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) The Company continuously provides internal training with a focus on themes such as compliance and enhancement of corporate governance. 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 MTPC 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 MTPC Group and an opportunity for inspecting the main business locations, etc..

**[Principle 5.1]**

- In order to achieve the enhancement of corporate value, the Company considers constructive dialogue with shareholders and investors, etc. (hereinafter the "Shareholders, etc.") to be important, and takes appropriate measures in accordance with the following policies.
  - (1) The Executive Officer in charge of corporate communications becomes a responsible person to promote constructive dialogue and makes efforts for productive dialogue with the Shareholders, etc.
  - (2) In conducting constructive dialogue with the Shareholders, etc., the Company provides accurate and clear information under the leadership of the corporate communications division, which works in

collaboration with relevant departments, including the finance & accounting division and general affairs division.

(3) In order to contribute to the promotion of understanding of the business environment, etc., by the Shareholders, etc., the Company appoints an appropriate person for responding to the questions raised by Shareholders, etc. according to the person requesting or the details of a meeting, etc. .

(4) The Company endeavors to increase opportunities to provide information to the Shareholders, etc., by means such as holding a briefing session to explain its financial condition, the status of development of new products, important management policies and business development, etc., as well as hold dialogue through individual meetings to enable them to make appropriate investment decisions.

(5) With respect to the important opinions and requests of the Shareholders, etc., obtained through dialogue with them, the important opinions and requests are accordingly reported to the Board of Directors or the management team via the Executive Officer in charge of corporate communications with the aim of sharing information.

(Please refer to the Policy of Engagement with Shareholders)

《[https://www.mt-pharma.co.jp/e/company/pdf/taiwa\\_e.pdf](https://www.mt-pharma.co.jp/e/company/pdf/taiwa_e.pdf)》

## 2. Capital Structure

### (1) Foreign Shareholding Ratio

Foreign Shareholding Ratio	10% or more and less than 20%
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### (2) 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)	26,596,900	4.74
Japan Bank Trustee Services Bank, Ltd. (Trust)	14,679,200	2.61
Nippon Life Insurance Company	12,065,881	2.15
STATE STREET BANK WEST CLIENT - TREATY 505234	7,826,268	1.39
Japan Bank Trustee Services Bank, Ltd. (Trust9)	4,627,100	0.82
Japan Bank Trustee Services Bank, Ltd. (Trust5)	4,113,200	0.73
STATE STREET BANK AND TRUST COMPANY 505225	4,029,395	0.72
STATE STREET BANK AND TRUST COMPANY 505103	3,928,004	0.70
Nipro Corporation	3,821,700	0.68

**(3) Controlling Shareholder:** None  
(except for Parent Company)

**(4) Parent Company:** Mitsubishi Chemical Holdings Corporation (Listed: Tokyo) 4188

## 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 End of the Previous Fiscal Year	From 10 to less than 50

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

- 1) Mitsubishi Chemical Holdings Corporation (“MCHC”), the Company’s parent company, is a holding company. The Company shares know-hows, jointly uses assets and facilities including IT system and group network and exchanges human resources with MCHC, and deposits funds with MCHC, with a view to leverage both human and tangible resources held by MCHC Group. 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 MTPC Group in order to maximize the benefits to all of the Company’s shareholders.
- 3) In regard to transactions between the Company and other companies in 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 interests of MTPC Group and/or the Company’s shareholders.

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

There is no other special circumstance which may have material impact on corporate governance.

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

### 1. Organizational Composition and Operation

#### (1) Organization Form

Organization Form	Company with Board of Corporate Auditors
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#### (2) 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	President
Number of Directors <b>Updated</b>	9
Appointment of Outside Directors	Appointed
Number of Outside Directors	3
Number of Independent Directors	3

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
Shigeki Iwane	From another company											
Tsutomu Kamijo	From another company											
Kazutoshi Murao	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 compensation as a director/*Corporate Auditor*

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/*Corporate Auditor* 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
Shigeki Iwane	Designated	Not applicable	<p>Since his appointment in June 2016, Shigeki Iwane has fulfilled his duties as an Independent Outside Board Director at the Board of the Company, based on his management perspective as a top management and wide-ranging knowledge in corporate governance. He has made pointed comments and proposals on ensuring the balance between business profitability and risk as well as the consistency between business execution and strategy from an independent and objective perspective. In addition, as a chair of the Compensation Committee and a member of the Nomination Committee, which are discretionary advisory bodies, he has contributed to appropriate decision making at the Board meetings and enhanced accountability of the Company concerning management nomination and compensation. The Company believes he will contribute to improving the corporate value of the Group by continuing supervision of the management of the Company as an Independent Outside Board Director, and thus has selected him as an Outside Board Director.</p> <p>He meets the independence standards of the Tokyo Stock Exchange, Inc. as well as the Company's "Criteria for Independence of Outside Board Directors and Outside Corporate Auditors" (please refer to "II. 1. Independent Directors/Corporate Auditor" of this Report). Accordingly, he 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.</p>

Tsutomu Kamijo	Designated	Not applicable	<p>Since his appointment in June 2017, Tsutomu Kamijo has fulfilled his duties as an Independent Outside Board Director at the Board of the Company, based on his abundant experience as a top management and wide-ranging knowledge in globalization of the business. He has given advice and proposals from diverse perspectives especially on strategic aspects of each business, and made pointed comments on risk management, from an independent and objective perspective. In addition, as a member of the Compensation Committee and the Nomination Committee, which are discretionary advisory bodies, he has contributed to appropriate decision making at the Board meetings and enhanced accountability of the Company concerning management nomination and compensation. The Company believes he will contribute to improving the corporate value of the Group by continuing supervision of the management of the Company as an Independent Outside Board Director, and thus has selected him as an Outside Board Director.</p> <p>He meets the independence standards of the Tokyo Stock Exchange, Inc. as well as the Company's "Criteria for Independence of Outside Board Directors and Outside Corporate Auditors" (please refer to "II. 1. Independent Directors/Corporate Auditor" of this Report). Accordingly, he 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.</p>
Kazutoshi Murao	Designated	Not applicable	<p>Kazutoshi Murao assumed office as President of NIPPON TELEGRAPH AND TELEPHONE WEST CORPORATION in 2012, and has wide-ranging knowledge regarding the utilization of diverse human resources and values in</p>

			<p>management for the creation of innovation, thorough compliance and the promotion of safety and health as well as health management. In addition, as top management, he has abundant experience related to resolving social challenges through ICT and initiatives toward achieving SDGs. The Company believes that he can contribute to improving the corporate value of the Group by supervising the management of the Company as an Independent Outside Board Director, and thus has selected him as an Outside Board Director.</p> <p>He meets the independence standards of the Tokyo Stock Exchange, Inc. as well as the Company's "Criteria for Independence of Outside Board Directors and Outside Corporate Auditors" (please refer to "II. 1. Independent Directors/Corporate Auditor" of this Report). Accordingly, he 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.</p>
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Voluntary Establishment of Committee(s) Corresponding to Nomination Committee or Compensation Committee	Established
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Status of the Establishment of a Discretionary Committee, Composition and Attributes of Chairperson

	Committee's name	All committee members	Full-time members	Internal Directors	Outside Directors	Outside Experts	Others	Chairperson
Committee corresponding to Nomination Committee	Nomination Committee	4	0	1	3	0	0	Outside Director
Committee corresponding to	Compensation Committee	4	0	1	3	0	0	Outside Director

Compensation Committee								
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Supplementary Explanation **Updated**

Members of the Nomination Committee and the Compensation Committee are selected by resolution of the Board of Directors.

- The Nomination Committee and the Compensation Committee are both chaired by Independent Outside Board Directors, and comprised in the majority of Independent Directors. In addition, the Human Resources Department serves as the staff of these Committees.
- The Nomination Committee makes opinions to the Board of Directors regarding standards for the selection and appointment of candidates for Board Directors, Corporate Auditors, and Executive Officers and the selection and appointment of individual candidates, after deliberating these matters in a transparent and objective manner. The Nomination Committee was held 4 times in Fiscal Year 2018, and the attendance of each member was as follows.

Committee Composition* <sup>1</sup>	Name	Main Posts Held of the Company	Attendance
Chairperson	Shigehiko Hattori* <sup>2</sup>	Independent Outside Director	4/4
Committee Member	Shigeki Iwane	Independent Outside Director	3/4
Committee Member	Tsutomu Kamijo	Independent Outside Director	4/4
Committee Member	Masayuki Mitsuka	President & Representative Director	4/4

\*<sup>1</sup> as from June 22, 2018

\*<sup>2</sup> Shigehiko Hattori resigned as an Outside Board Director of the Company at the conclusion of the 12th Ordinary General Meeting of Shareholders held on June 21, 2019. Kazutoshi Murao, an Outside Director, was appointed as a committee member of the Nomination Committee by the Board of Directors.

- The Compensation Committee makes recommendations to the Board of Directors regarding amendments to compensation plans for Board Directors and Executive Officers and the determination of individual compensation amounts, after deliberating these matters in a transparent and objective manner. The Compensation Committee was held 4 times in Fiscal Year 2018, and deliberated such matters as individual performance evaluations and compensation amounts for each officer in Fiscal Year 2017, performance targets for each officer in relation to performance-linked compensation for the fiscal year under review, and verification of the operation of officer compensation plans. The attendance of each member of the committee in Fiscal Year 2018 was as follows.

Committee Composition* <sup>1</sup>	Name	Main Posts Held of the Company	Attendance
Chairperson	Shigeki Iwane	Independent Outside Director	3/4
Committee Member	Shigehiko Hattori* <sup>2</sup>	Independent Outside Director	4/4
Committee Member	Tsutomu Kamijo	Independent Outside Director	4/4
Committee Member	Masayuki Mitsuka	President & Representative Director	4/4

\*<sup>1</sup> as from June 22, 2018

\*2 Shigehiko Hattori resigned as an Outside Board Director of the Company at the conclusion of the 12th Ordinary General Meeting of Shareholders held on June 21, 2019. Kazutoshi Murao, an Outside Director, was appointed as a committee member of the Compensation Committee by the Board of Directors.

### (3) Corporate Auditor

Establishment of Corporate Auditor Board	Established
Maximum Number of Corporate Auditor Stipulated in Articles of Incorporation	Up to 5
Number of Corporate Auditor <b>Updated</b>	5

#### Cooperation among Corporate Auditors, Accounting Auditors and Internal Audit Functions

Corporate Auditors endeavor to strengthen cooperation with Accounting Auditors, including receiving explanations from the Accounting Auditors about audit plans and policies, quarterly reports on audit details and results, and exchanging opinions with the Accounting Auditors, in addition to attending site visits by Accounting Auditors when necessary and on-site year-end inventory counts. Furthermore, Corporate Auditors and Internal Audit Functions work in close collaboration, including exchanging opinions on a monthly basis about audit plans developed by the Internal Audit Functions, as well as progress and results of audits in accordance with the plan, and receiving reports on the results of the evaluation of internal control systems for financial reporting.

Appointment of Outside Corporate Auditor	Appointed
Number of Outside Corporate Auditor <b>Updated</b>	3
Number of Independent Corporate Auditor <b>Updated</b>	3

#### Outside Corporate Auditor'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
Tadashi Fukuda	Attorney at law													
Hiroshi Enoki	Certified public accountant													
Mitsue Maru	Scholar													

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

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

Name	Designation as Independent <i>Corporate Auditor</i>	Supplementary Explanation of the Relationship	Reasons of Appointment
Tadashi Fukuda	Designated	Not applicable	<p>Tadashi Fukuda has abundant experience and highly sophisticated knowledge as an attorney at law. He was selected and appointed as an Outside Corporate Auditor on account of the Company's judgment that he is capable of adequately executing his duties as Outside Corporate Auditor by utilizing his experience and knowledge stated above, and contributing to MTPC Group's sustainable growth and the establishment of a governance structure.</p> <p>He meets the independence standards of the Tokyo Stock Exchange, Inc. as well as the Company's "Criteria for Independence of Outside Board Directors and Outside Corporate</p>

			<p>Auditors” (please refer to “II 1. Independent Board Directors and Independent Corporate Auditors” of this Report). Accordingly, he 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.</p>
Hiroshi Enoki	Designated	Not applicable	<p>Hiroshi Enoki has abundant experience and professional expertise as a certified public accountant. He was selected and appointed as an Outside Corporate Auditor on account of the Company’s judgment that he is capable of adequately executing his duties as an Outside Corporate Auditor by utilizing his experience and knowledge stated above, and contributing to MTPC Group’s sustainable growth and the establishment of a governance structure.</p> <p>He meets the independence standards of the Tokyo Stock Exchange, Inc. 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, he was appointed as an Independent Corporate Auditor based on the Company’s judgment that there is</p>

			no potential conflict of interest between him and general shareholders.
Mitsue Maru	Designated	Not applicable	<p>Maru Mitsue has abundant experience and professional expertise regarding medical. She was selected and appointed as an Outside Corporate Auditor on account of the Company's judgment that she is capable of adequately executing her duties as an Outside Corporate Auditor by utilizing her experience and knowledge as an university professor and her perspective as a healthcare provider, and contributing to MTPC Group's sustainable growth and the establishment of a governance structure.</p> <p>She meets the independence standards of the Tokyo Stock Exchange, Inc. 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, she was appointed as an Independent Corporate Auditor based on the Company's judgment that there is no potential conflict of interest between her and general shareholders.</p>

**(4) Independent Directors/Corporate Auditor**



## Matters relating to Independent Directors/Corporate Auditor

Comments and advices concerning the Company's management are given at the meetings of the Board of Directors or the Board of Corporate Auditors, as the case may be, from the standpoint of Independent Board Directors or Independent Corporate Auditors. All six of the Outside Board Directors and Outside Corporate Auditors have been designated as Independent Board Directors or 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 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.

(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 MTPC Group refers to a party which receives payment from MTPC Group equivalent to 2% or more of the party's consolidated gross sales

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

\* A major client or supplier of MTPC Group refers to a party which make payments equivalent to 2% or more of the Company's consolidated revenue to MTPC 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 compensation for Board Directors/Corporate Auditors, from MTPC 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 MTPC Group

\* "A firm whose major client or supplier is MTPC Group" refers to a firm which receives payment from MTPC 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 MTPC 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 MTPC 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 MTPC 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.

**(5) Incentives**

Incentive Policies for Directors

Introduction of the performance-linked stock compensation plan, and others

Supplementary Explanation **Updated**

< Compensation's Constitution >

The compensation plan for Executive Board Directors is comprised of “base compensation”, “bonuses” which are tied to short-term performance, and “stock compensation” which is tied to medium- to long-term performance. It is, therefore, a compensation plan with a high degree of linkage with the Company’s performance and stock value. In addition, the ratio of “base compensation” to “bonuses” and “stock compensation” in the compensation of Executive Board Directors is 7:2:1. < Bonuses >

The Company has introduced a monetary compensation plan tied to short-term performance for Executive Board Directors and Executive Officers, in which the amount is determined in the range of 0% to 200% based on the respective positions held, the corporate performance and the individual performance in the relevant fiscal year.

<Formula>

Performance compensation = Basic amount by position rank × Consolidated core operating profit achievement coefficient × Ratio by position rank+ Basic amount by position rank × Individual performance evaluation coefficient ×Ratio by position rank

If any problems regarding compliance and the Company’s scandals occur, the Company will reexamine compensation including Non-payment.

< Stock Compensation >

The Company has introduced a performance-linked stock compensation plan (hereinafter referred to as the “Plan”) from Fiscal Year 2017 with the aim of motivating and boosting the morale of Board Directors of the Company to achieve sustainable growth of MTPC Group and to enhance medium- to long-term corporate value by clarifying the linkage between the compensation for Board Directors and MTPC Group’s business performance, and by sharing with shareholders not only the benefits of rising share prices but also the risks associated with falling share prices.

<Formula>

Stock compensation = Basic points by position rank ×  
(Consolidated revenue achievement coefficient + net profit attributable to owners of the Company achievement coefficient)

Furthermore, in the event of a serious breach of obligations in the course of duties or violation of internal rules by a Director, he or she shall lose the right to receive delivery of shares of the Company under this plan. In addition, if the recipient has already received the shares of the Company, the Company will demand payback equivalent to the shares already delivered from him or her.

The Plan is a performance-linked stock compensation plan in which the Company’s shares are acquired through a trust established for Board Directors and Executive Officers as its beneficiaries using funds

contributed by the Company, and the acquired shares of the Company and the amount equivalent to the amount obtained by converting such shares into cash shall be delivered and paid to Board Directors and Executive Officers according to their position ranks and achievement of performance targets outlined in the Medium-Term Management Plan. The outline of the Plan is as follows.

- Eligible persons

Board Directors and Executive Officers (excluding part-time Directors and non-residents of Japan)

- Eligible period

Five (5) fiscal years corresponding to the duration of each Medium-Term Management Plan (However, the initial eligible period covers four (4) fiscal years up to Fiscal Year 2020, which is the remaining term under the current Medium-Term Management Plan)

- Upper limit of funds contributed by the Company

Total of ¥900 million for a period of five (5) fiscal years (However, the total amount is ¥720 million for the initial eligible period of four (4) fiscal years)

- Upper limit of the number of the stock compensation delivered to Board Directors and Executive Officers

800,000 shares for a period of five (5) fiscal years (However, the total amount is 640,000 shares for the initial eligible period of four (4) fiscal years)

- Conditions of performance achievement

Conditions shall fluctuate from 0% to 200% depending on the levels of achievement of performance targets. “Revenue” and “net profit attributable to owners of the Company” are used as the assessment indicators for the initial eligible period.

- Timing of delivery of stock compensation

Upon retirement

The Company’s shares are acquired from the stock market, and there is no effect on the total number of the Company’s issued shares.

Recipients of Stock Options	-
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Supplementary Explanation

-

**(6) Director’s Compensation**

Disclosure of Individual Directors’ Compensation	Not Disclosed compensation for individuals
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Supplementary Explanation **Updated**

Compensation for Board Directors was ¥335 million for Fiscal Year 2018.

Policy on Determining Compensation Amounts and Calculation Methods <b>Updated</b>	Established
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Disclosure of Policy on Determining Compensation Amounts and Calculation Methods

<p>(1) Basic policy</p> <p>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. The Company decides the level of compensation by taking into consideration the objective data such as compensation survey conducted by outside professionals and the balance with the level of salaries of the Company’s employees.</p> <p>(2) The way of decision making</p> <p>Policy concerning the compensation of Board Directors and content of compensation of individual Board Director are determined by the Board of Directors through deliberation of a Compensation Committee, which is chaired by an Independent Outside Board Director and majority of which are Independent Outside Board Directors.</p>
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**(7) Supporting System for Outside Directors and/or Corporate Auditor**

<p>Outside Board Directors’ execution of business duties is supported by the CEO Office of the Corporate Strategic Planning Department, the staff for the Board of Directors (General Affairs Department), the staff for the Nomination Committee and Compensation Committee (Human Resources Department) , which are discretionary bodies, and other corporate staff. The Company makes every effort to distribute materials for meetings of the Board of Directors meetings in advance, and Board Directors, Executive Officers and the staff of the Board of Directors give explanations to Outside Directors and/or Corporate Auditor, as required, prior to the meeting. The Corporate Auditors Office, an independent unit from the execution of business operations, provides support to Corporate Auditors including Outside Corporate Auditors in their performance of duties.</p>
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**(8) Status of Retired President & Representative Director, etc.: Disclosed**

Name, etc. of retired President & Representative Director, etc. **Updated**

Name	Title and Position	Responsibilities	Employment Type and Work Conditions	Date of Retirement as President, etc.	Term of Office
-	-	-	-	-	-

Total number of Counselors and Corporate Advisors, etc. who were formerly President & Representative Director, etc. **Updated**

0

**Other matters: Appointment and roles of Corporate Advisor **Updated****

The Company’s systems for Corporate Advisors and Counselors in relation to former Presidents & Representative Directors, etc., are as follows.

1. The Company appoints a Corporate Advisor or a Chairperson (collectively the “Corporate Advisor”) by resolution of the Board Meeting. Roles of the Corporate Advisor are as follows.
  - (1) Outside Director of other organization: In order to contribute to the Company business or society, the Corporate Advisor takes the office of outside Director or similar position of another company or organization.
  - (2) Advisor as Ex-President: Since development of a pharmaceutical takes many years, the Board Directors or Executive Officers sometimes needs to confirm as to how decision was made in the past. The Corporate Advisor, if requested, provides advices about such past decision to the Board Directors or Executive Officers.
2. The Corporate Advisor does not attend internal meetings, such as Board Meeting and Executive Committee, and is not engaged in decision-making and business operation of the Company. The Corporate Advisor does not take the office of a Board Director.
3. The roles, term of the office, scope of support, compensation and other conditions are set forth in the internal rules established by the resolution of the Board Meeting.

Furthermore, at present the Company does not have any Corporate Advisors or Counselors who are former Presidents & Representative Directors, etc.

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

The Board of Directors comprise nine members (9 males and 0 females), three 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. The Board of Directors met 15 times in Fiscal Year 2018, and the attendance of each officer was as follows.

	Name	Attendance (Fiscal Year 2018)
Board Director	Masayuki Mitsuka	15/15
Board Director	Takashi Kobayashi	15/15
Board Director	Yoshiaki Ishizaki	15/15
Board Director	Seiichi Murakami	15/15
Board Director	Eizo Tabaru	15/15
Board Director	Takashi Tanaka	15/15
Board Director	Takeshi Matsumoto	12/12*1
Outside Board Director	Shigehiko Hattori	14/15

Outside Board Director	Shigeki Iwane	15/15
Outside Board Director	Tsutomu Kamijo	14/15
Standing Corporate Auditor	Koji Kudo	15/15
Standing Corporate Auditor	Matsuo Kikuchi	15/15
Outside Corporate Auditor	Tadashi Fukuda	14/15
Outside Corporate Auditor	Hiroshi Enoki	12/12* <sup>1</sup>

\*<sup>1</sup>as from June 22, 2018

The Board of Directors conducts an analysis and evaluation of the effectiveness of the Board of Directors once a year, and also conducts discussions aimed at enhancing the effectiveness of the Board of Directors and other aspects of corporate governance through meetings between Outside Board Directors and Corporate Auditors and other occasions, and provides advice on execution as appropriate. In Fiscal Year 2018, the Company used these opportunities to exchange views and provide training for officers in relation to the strengthening of compliance and risk management, including at MTPC Group companies overseas, the review of medium-term management plans, the content of reports at meetings of the Board of Directors, decision-making processes for alliances and M&A, and other 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 five members (4 males and 1 female, three of whom are Outside Corporate Auditors). The Company has selected an attorney at law, a certified public accountant and scholar. 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. The Board of Corporate Auditors met 14 times in Fiscal Year 2018, and the attendance of each Corporate Auditor was as follows.

	Name	Attendance (Fiscal Year 2018)
Standing Corporate Auditor	Koji Kudo	14/14
Standing Corporate Auditor	Matsuo Kikuchi	14/14
Outside Corporate Auditor	Tadashi Fukuda	13/14
Outside Corporate Auditor	Hiroshi Enoki	11/11* <sup>1</sup>

\*<sup>1</sup>as from June 22, 2018

Corporate Auditors attend important meetings, such as meetings of the Board of Directors. 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 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 the Internal Audit Office, which operates as an Internal Audit Function independently of the executive divisions and audits 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, Nobuaki Kenmochi, and Hiroyuki Kurihara, who are in charge of the accounting audits. Assisting in the accounting audits are 18 certified public accountants and 18 other staff.

Furthermore, in an effort to strengthen the independence, objectivity, and accountability of the Board of Directors' functions with respect to the nomination and compensation of officers, the Company has established and operates the Nomination Committee and the Compensation Committee as voluntary committees chaired by an Independent Outside Board Director, and comprised in the majority of Independent Outside Board Directors. 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.

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.

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

The Company is a pharmaceutical company which is a regulated industry based on the healthcare system. As such, the Company' 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 regard to the Board of Corporate Auditors, by including Independent Outside Corporate Auditors with highly specialized expertise in the areas of finance, accounting, law and nursing, 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 Executive Officers and other important decision-making by the Board of Directors.
- To supervise conflicts of interest between the Company and the management team or 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 2019, the notice of convocation was sent on May 30 2019, seven days before statutory due date.
Scheduling AGMs Avoiding the Peak Day	In principle, general meetings are held during off-peak days In 2019, the General Meeting was held on June 21, 2019.
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	In 2019, notices of convocation (Japanese/English) are posted on the Company's website six days prior to its dispatch.

#### 2. IR Activities **Updated**

	Supplementary Explanations	Explanation by Representative
Establishment and disclosure of the Disclosure Policy	The Company established the Disclosure Policy which sets forth basic policies regarding the Company's disclosure to any and all stakeholders, and made it public on June 22, 2018. <a href="https://www.mt-pharma.co.jp/shared/show.php?url=../e/company/disclosure_policy.html">https://www.mt-pharma.co.jp/shared/show.php?url=../e/company/disclosure_policy.html</a>	-
Regular Investor Briefings for Individual Investors	The Company held 6 briefing sessions for individual investors in Fiscal Year 2018, and also had a booth at the Tokyo Stock Exchange IR Festival 2019.	Not Available
Regular Investor Briefings for Analysts and Institutional Investors	In Fiscal Year 2018, the Company held briefings regarding financial results and business activities by the President, as well as telephone conferences by responsible officers	Available

	after the announcement of the first quarter, the second quarter and the third quarter financial results, respectively.	
Regular Investor Briefings for Overseas Investors	The summaries of briefings for institutional investors held in Japan and questions and answers there are translated into English, and made available in text and audio formats.	Not Available
Posting of IR Materials on Website	Financial reports, the presentation materials used and text and videos (including audio) of the main points and questions and answers at briefing sessions for investors, press releases, securities reports, notices of convocation, notices of resolutions, extraordinary reports, business activity reports, annual reports, and other relevant materials are posted on the Company's website. The Company offers an e-mail newsletter to provide the Company's information updates to investors and analysts, and has set up an inquiry desk on the Company's website 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 **Updated**

	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; “Code of Conduct”, which clearly defines the fundamental concepts and principles of each business activity; 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</p>

	<p>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>
<p>Implementation of Environmental Activities, CSR Activities etc.</p>	<p>Besides contribution to society by providing new pharmaceuticals, MTPC Group appoints staff in charge of CSR Activities and implements various activities as for communities and global environment, including support to patient group with intractable disease, under “Corporate Citizenship Policy”.</p> <p>Based on the Environment &amp; Safety Policy, MTPC Group makes efforts for resource efficiency, energy efficiency, waste reduction and other activities in every aspect of the business activities to reduce environmental footprint. “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>《<a href="https://www.mt-pharma.co.jp/shared/show.php?url=/e/company/csr-report/index.html">https://www.mt-pharma.co.jp/shared/show.php?url=/e/company/csr-report/index.html</a>》</p>
<p>Development of Policies on Information Provision to Stakeholders</p>	<p>The Company formulates its Information Disclosure Policy, 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>
<p>Other</p>	<p>The Company positions its approach to diversity and inclusion as one of its management strategies, and is promoting various measures for ensuring diversity and developing and utilizing human resources. Similarly, the Company recognizes employees’ health as one of its management priorities, and promotes the mental and physical health management of MTPC Group employees, through measures such as establishing the “MTPC Group Health Policy” and “Health Management Rule.” As measures for prevention of overwork, the Company promotes limitation of working hours and encouragement to take paid leave, both of which help maintenance of good mental and physical health. Furthermore, in Fiscal Year 2018, the Company’s labor conditions have been highly rated by multiple external institutions, including being recognized in the large enterprise section of the “Outstanding Enterprises in Health and Productivity Management 2018 (White 500),” ratings conducted by the Ministry of Economy, Trade and Industry, winning a special recommendation award in the “Ikumen Enterprise Awards 2018” by the Ministry of Health, Labour and Welfare, and winning an award for</p>

excellence in the “Women’s Participation Empowerment Awards” by the Working Women’s Empowerment Forum.

(Reference)

Policies and Targets Related to Promoting Female Employees to Take Active Roles in the Workforce

—Aiming to Cultivate a Corporate Culture that Empowers Both Men and Women to Take Active Roles in the Workforce—

1) At least double the proportion of women in line management roles in 5 years compared to that as of March 2016;

2) Introduce one or more measures to increase options of possible work styles.

\*Our targets for Fiscal Year 2020 and the current status of our initiatives are as follows.

1) Appoint female officers (1 female officer as of April 2019)

2) Increase the proportion of female Vice President across the Company to 10% (7.4% as of April 2019)

3) Increase the proportion of female specialized management roles across the Company to 10% (8.5% as of April 2019)

4) Increase the proportion of female management roles across the Company to 10% (8.4% as of April 2019)

## 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 and management 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 MTPC 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 MTPC Group is ensured through reports and approvals, etc., regarding important items for management of MTPC 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 MTPC 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, MTPC 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, the Mitsubishi Tanabe Pharma Declaration on Compliance and Behavior and Code of Conduct, 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.



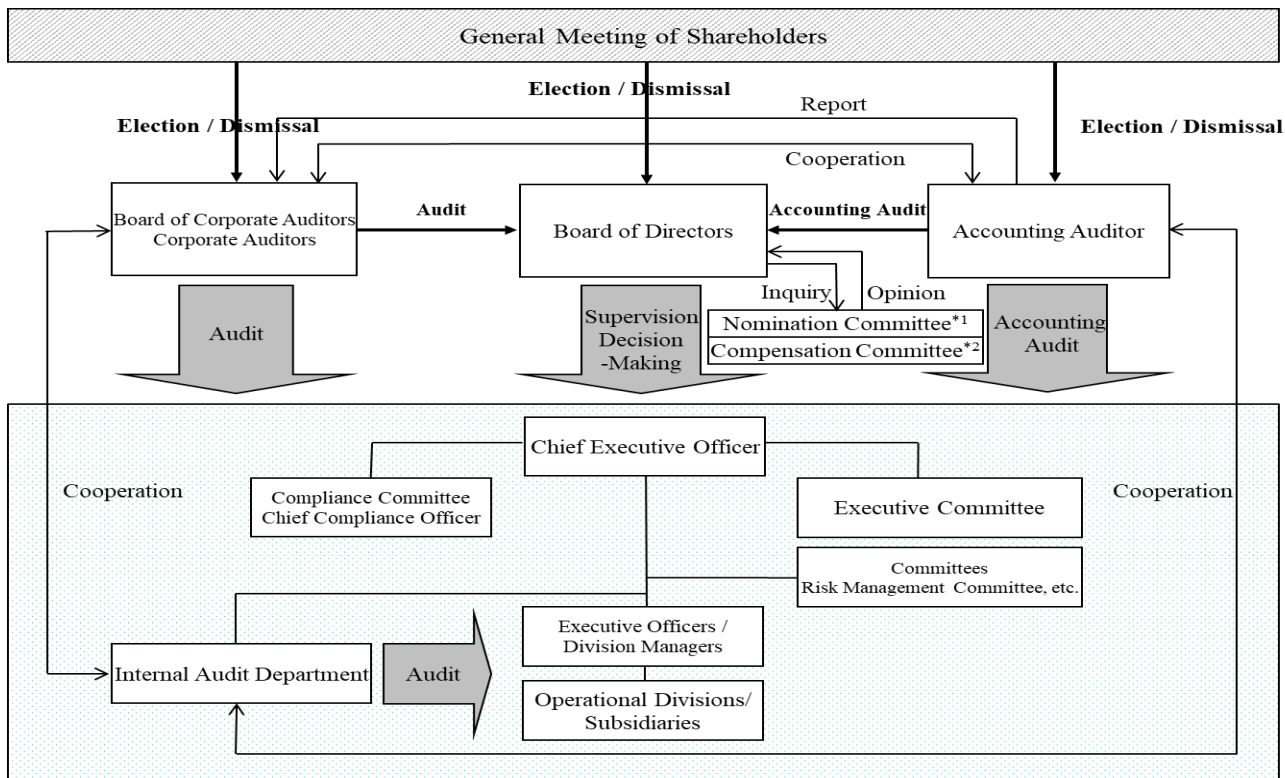
## V. Others

### 1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	Not Adopted
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### 2. Other Matters Concerning to Corporate Governance System

#### ■ 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

#### ■ 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, MTPC Group disclose important Company information related to its corporate activities in a fair, timely, and appropriate manner. In regard to information disclosure, MTPC Group complies with to the Financial Instruments and Exchange Act and other laws and regulations relating to information disclosure and regulations of the stock exchange where MTPC 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, MTPC 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 a responsible person in charge of information disclosure (Vice President, Head of 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 Rule, and Board of Directors’ Rule, and is disclosed in a timely manner after a responsible person in charge of information disclosure (Vice President, Head of Corporate Communications Department) has obtained 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 (Vice President, Head of Corporate Communications Department) has examined the appropriateness of the disclosure, and has obtained the approval from the President & Representative Director.