In June 2017, Tsutomu Kamijo, who became an Outside Director of Mitsubishi Tanabe Pharma in June 2017, and Takashi Kobayashi, who is Representative Director, Senior Managing Executive Officer, and Chief Compliance Officer of the Company, met to discuss measures to strengthen corporate governance as well as future governance-related issues. This section introduces their discussion.

Kobayashi It has been a year since you became an Outside Director of the Company. Over that period, we were able to achieve our longstanding goal of taking the first step in accelerating U.S. business development with the launch of Radicava in the U.S. In addition, the Board of Directors has engaged in multiple discussions of important matters, such as the investment of ¥124.0 billion for the acquisition of NeuroDerm, of Israel, in October 2017. The Company is highly appreciative of the valuable opinions that we received from you and the other Outside Directors.

Kamijo As a company executive, I have had to make decisions on important matters, and at those times I understood the value and significance of opinions from outside directors and outside corporate auditors, who can speak from different viewpoints. Based on this experience, as an outside director I am striving to directly communicate my opinion on important matters.

For example, in regard to M&A and other large investments, I am working to confirm the extent to which the Company is anticipating legal risks and if the investment offers value that is commensurate with the amount of the investment.

However, I think that the most important point is to focus on whether or not the project is aligned with the vision of Mitsubishi Tanabe Pharma.
Kobayashi That is an excellent point. For matters like the recent NeuroDerm investment, the Board of Directors conducts repeated discussions and offers answers to the various questions asked by the outside directors. Through this process, our vision is further clarified as we ask ourselves what kind of value we want to provide to society, in what markets and what fields.

Kamijo In particular, the business environment has been changing at a rapid pace in recent years, and there have been many cases in which companies have taken too long to make decisions on M&As and related projects and as a result opportunities were lost. Accordingly, it is important that the Company clarify its vision. If we do so, then as we determine the pros and cons of a particular project, we will naturally identify the highest priority items that need to be confirmed, and we should be able to make decisions in a rapid yet reasonable manner.

To that end, it is important to always hold discussions, exchange information, and ensure that we are all in agreement on the Company’s objectives. In that sense, I think that the Company’s Board meetings are dynamic and that the level of communication is excellent.

Kobayashi Thank you. We are working to foster good communications on a Companywide basis. Next, I would like to ask your opinion about current issues in regard to the Company’s corporate governance.

Kamijo As the Company expands its focus from domestic business to overseas business, I think that one issue will be the establishment of a global governance system, including overseas subsidiaries. This is an issue that I have also encountered in my career. Looking at compliance, there are certain matters that do not involve any legal issues in Japan but do present legal conflicts overseas, and of course there are also matters that are the reverse. In addition, there are major differences among countries and regions in regard to what is considered to be conventional wisdom.

However, even if they are located in a different country or region, they are still members of the Mitsubishi Tanabe Pharma Group. It is essential that overseas Group employees also share a common understanding of what must be done to maintain good relationships with the Group’s stakeholders. I believe it will be necessary to focus on building systems and frameworks to support that understanding.

Kobayashi Until a few years ago, the Company’s ability to implement clinical trials in the U.S. was limited to following instructions from Japan. Now, however, our U.S. operations can take the lead in advancing clinical trials. Moreover, with the launch of Radicava we also have our own in-house sales capability in the U.S. In this setting, I fully realize the importance and necessity of the types of initiatives that you mentioned.

In 2017, in order to help Group employees around the world to realize the corporate philosophy and vision, we formulated the Code of Conduct as a guide to behavior based on the Corporate Behavior Charter and the Declaration of Compliance. In addition, as needed, we have begun to establish global policies aligned with business activities. If the actions of employees, including employees of overseas subsidiaries, depart from those policies, then we request that those actions be corrected. This process is repeated, and through this cycle we are working to promote the adoption of these policies.
Kamijo Some time will be necessary for the adoption of those policies. Based on my own experience, the most effective approach for obtaining the understanding of employees is to explain the risks associated with damage to the Mitsubishi Tanabe Pharma brand, as well as what types of actions could end up damaging the brand. I would definitely like to see this implemented.

Kobayashi The scope of employee actions that enhance the corporate brand should not be changed, even if there are differences among countries. Finally, I would like to hear your thoughts about further reinforcing corporate governance.

Kamijo Since the introduction of the Corporate Governance Code in 2015, Japanese companies have strengthened their corporate governance systems. I believe that Mitsubishi Tanabe Pharma has also made steady progress, such as implementing evaluations of the effectiveness of the Board of Directors, establishing the Compensation Committee and the Nomination Committee as voluntary committees, introducing a performance-linked stock compensation plan, and increasing the number of outside directors.

However, strengthening corporate governance will always be an ongoing task. The reason is that corporate governance entails earning the trust of stakeholders. It is only natural that the things that stakeholders want from the Company will change. In response, I believe it is important to continue to have an approach of enhancing and advancing corporate governance.

Kobayashi I agree. Measures to address the Corporate Governance Code were principally static in the sense that they focused on adjusting the form. However, to earn the trust of stakeholders it is necessary to focus on dynamic initiatives appealing to stakeholders, including communications. In particular, in advancing its business activities the Company places the highest priority on earning the trust of patients, who are important stakeholders.

Kamijo That is a good point. Corporate management is not something that always proceeds according to plan. In particular, pharmaceuticals are a business that requires long-term initiatives over periods of 5 years or 10 years, and accordingly there are delays in plans that exceed expectations. However, I believe that if Mitsubishi Tanabe Pharma clearly shares its direction with stakeholders through communications, then that trust will be maintained.

Moving forward, I think we should continue working to foster an understanding of the Company's direction and the concepts incorporated into it, while holding repeated discussions with Directors. In addition, we should ask whether we are making the decision that is truly best for patients and other stakeholders.

Kobayashi Beginning with the acceleration of our U.S. business development, we are moving forward into a world in which we have no experience. In consideration of your own experience in starting up a business in the U.S., I would like to request that you continue to provide your frank opinion as we go forward. Thank you for participating in today's discussion.

In particular, in advancing its business activities the Company places the highest priority on earning the trust of patients, who are important stakeholders.