

Last updated: September 30, 2015

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I. Basic Idea of Corporate Governance, Capital Structure, Corporate Attributes and Other Basic Information

1. Basic Idea

Updated

In addition to creating a management structure that can respond speedily and flexibly to changes in the business environment, the Daiichi Sankyo Group is working to secure legal compliance and management transparency and to strengthen oversight of management and the conduct of operations. We place great importance on building up a corporate governance structure that is responsive to the trust of our stakeholders, especially our shareholders.

Corporate Governance Structure

- To clarify Members' of the Board management responsibility and reinforce their oversight of management and the conduct of operations, their terms of office are set at one year, and four out of our ten Members of the Board are brought in as Members of the Board (Outside).
- To ensure management transparency, nomination of candidates for Member of the Board and Corporate Officer and compensation thereof are deliberated on by a Nomination Committee and a Compensation Committee, respectively, which are established as voluntary committees. These Committees consist of at least three Members of the Board, of whom Members of the Board (Outside) form a majority, and are chaired by a Member of the Board (Outside). (Currently each of these committees is comprised entirely of Members of the Board (Outside).)
- For audits of legal compliance and soundness of management, the Company has adopted an Audit & Supervisory Board system and established the Audit & Supervisory Board comprising four members, including Members of the Audit & Supervisory Board (Outside).
- Aiming at further clarification of the above efforts, the Board of Directors meeting and the Audit & Supervisory Board meeting held on March 31, 2014 resolved specific criteria on the judgment of independence of Members of the Board (Outside) and Members of the Audit & Supervisory Board (Outside) and basic matters regarding execution of duties by Members of the Board for contributing to the reinforcement of future corporate governance.
- The Company employs a Corporate Officer System under the supervision of the Board of Directors, which contributes to appropriate and swift management decision-making and the conduct of operations.

[Reason for not implementing each principle of the Corporate Governance Code]

Updated

Supplementary Principle 3.2.2 (iii)

The Company is yet to provide adequate systems for ensuring coordination between the Accounting Auditors (Outside) and Members of the Board (Outside). From this fiscal year, the Company plans to establish a regular, once-per-year meeting between the Accounting Auditors (Outside) and Members of the Board (Outside) as a venue for appropriate coordination, and hold, as necessary, extraordinary meetings between the same members whenever required.

Supplementary Principle 4.8.1

The Company is yet to provide adequate systems for holding regular meetings consisting solely of independent outside persons. From this fiscal year, the Company plans to hold regular meetings consisting solely of independent Members of the Board (Outside) as well as regular meetings consisting solely of independent Members of the Board (Outside) and independent Members of the Audit & Supervisory Board (Outside). These meetings shall provide information exchange and shared awareness required by such members by facilitating adequate coordination.

Supplementary Principle 4.11.3

The Company has not implemented self-evaluation of the Board of Directors by the Members of the Board as of present. From this fiscal year, the Company plans that self-evaluation by each Member of the Board shall be performed, that analysis and evaluation of the Board of Directors shall be performed to ascertain the effectiveness of the Board of Directors as a whole, and that an overview of these results shall be externally disclosed.

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

Updated

Principle 1.4 Policies Relating to the Holding of Shares of Other Listed Companies as Cross-Shareholdings and Rationale for Exercise of Voting Rights

The Company shall hold shares of other listed companies when it deems it contributes to increasing corporate value of the Company in connection with maintaining and strengthening long-term business relationships. We shall strive to reduce the amount of shares held of other listed companies to an appropriate level from the viewpoint of capital efficiency.

Note that the Board of Directors regularly examines the rationale of shareholding. When the justification for holding a particular shareholding is weak, we will comprehensively consider the effects on the market and sell the shares sequentially.

Concerning the exercise of voting rights on cross-shareholdings, we will check whether the proposals will contribute to increasing the corporate value of the issuing company in the medium- to long-term. Based on comprehensive consideration of such matters as non-financial side of the issuing company and the details of dialogue held with the issuing company, we will decide whether to approve or reject the proposal.

Principle 1.7 Related Party Transactions

In addition to prescribing in the Members of the Board Regulations the duty of care and the duty of fiduciary of Members of the Board and conflict of interest transactions and competitive transactions, the Company also prescribes in the Board of Directors Regulations the requirement that the consent of the Board shall be received in relation to conflict of interest transactions and competitive transactions of Members of the Board. Moreover in the Audit Standard for the Members of the Audit & Supervisory Board, it prescribes that the Members of the Audit & Supervisory Board monitor and verify for the existence of violations of the duties of Members of the Board with regard to conflict of interest transactions and competitive transactions.

Matters concerning transactions with major shareholders shall be considered to be “Important Matters Related to Company Management” as prescribed by the matters referred to the Board of Directors, and these matters shall require approval by the Board of Directors.

Principle 3.1**(i) Company objectives (e.g., business principles), business strategies and business plans)**

The corporate philosophy, visions and mid-term management policy are disclosed on the Company’s corporate website. Please view this information at the following URL:

The Company’s corporate website: <http://www.daiichisankyo.com/>

(ii) Basic views and guidelines on corporate governance

(Basic views on corporate governance)

In addition to creating a management structure that can respond speedily and flexibly to changes in the business environment, the Company is working to secure legal compliance and management transparency and to strengthen oversight of management and the conduct of operations. We shall place great importance on building up a corporate governance structure that is responsive to the trust of its stakeholders, especially its shareholders.

Corporate Governance Structure

- To clarify Members’ of the Board management responsibility and reinforce their oversight of management and the conduct of operations, their terms of office are set at one year, and four out of our ten Members of the Board are brought in as Members of the Board (Outside).
- To ensure management transparency, nomination of candidates for Members of the Board and Corporate Officers and compensation thereof are deliberated on by a Nomination Committee and a Compensation Committee, respectively, which are established as voluntary committees. These Committees consist of at least three Members of the Board, of whom Members of the Board (Outside) form a majority, and are chaired by a Member of the Board (Outside). (Currently each of these committees is comprised entirely of Members of the Board (Outside).)
- For audits of legal compliance and soundness of management, the Company has adopted an Audit & Supervisory Board system and established the Audit & Supervisory Board comprising four members, including Members of the Audit & Supervisory Board (Outside).
- Aiming at further clarification of the above efforts, the Board of Directors meeting and the Audit & Supervisory Board meeting held on March 31, 2014 resolved specific criteria on the judgment of independence of Members of the Board (Outside) and Members of the Audit & Supervisory Board (Outside) and basic matters regarding execution of duties by Members of the Board for contributing to the reinforcement of future corporate governance.

- The Company employs a Corporate Officer System under the supervision of the Board of Directors, which contributes to appropriate and swift management decision-making and the conduct of operations.

(Basic guidelines on corporate governance)

While giving importance to the basic views on corporate governance, the Company shall understand and respect the gist and spirit of the Corporate Governance Code, and shall continue to make efforts to further improve corporate governance based on this code.

(iii) Policies and Procedures in Determining the Remuneration of the Members of the Board and Members of the Audit & Supervisory Board

- Remuneration to Members of the Board is designed to provide remuneration that contributes to maximize corporate value. Specifically, in addition to a basic remuneration, performance based bonuses serving as short-term incentive and share remuneration-type stock options serving as long-term incentive are adopted.
- To ensure adequate oversight of management, no short-term or long-term incentives have been established for Members of the Board (Outside), who receive only basic remuneration.
- Establishment of the remuneration system and criteria for Members of the Board, the examination and review of the remuneration level for each position, confirmation of the results of performance based bonuses, and the calculation and granting of remuneration-type stock options shall be thoroughly deliberated at the Compensation Committee, of which Members of the Board (Outside) form a majority.

(iv) Policies and Procedures for Appointment and Nomination of Candidates for Members of the Board and Members of the Audit & Supervisory Board

- The candidates for Members of the Board shall meet the requirement of being personnel of excellent character and insight who contribute to maximizing the corporate value of the Daiichi Sankyo Group.
- The candidates for Members of the Board shall meet the requirements of being appropriate candidates with respect to term of office and age, and of being suitably competent of performing timely and accurate judgment, looking at the changes in the business environment while giving importance to the continuance of management policies, etc.
- The candidates for Members of the Board shall meet the requirements that there shall always be Members of the Board (Outside) included to strengthen the decision-making functions based on various perspectives and to strengthen the function of supervising business execution.
- When appointing the candidates for Members of the Board, the Board of Directors shall appoint the candidates after they have been sufficiently deliberated by the Nomination Committee, of which Members of the Board (Outside) form a majority.
- The candidates for Members of the Audit & Supervisory Board shall be examined prudently concerning their suitability as Members of the Audit & Supervisory Board, such as whether they can fulfil their duties, ensuring their independence from the executive officers, and so forth.
- The candidates for Members of the Audit & Supervisory Board (Outside), in addition to meeting the aforementioned requirements, shall be confirmed to have no problems according to specific criteria relating to the judgment of independence.

- When appointing the candidates for Members of the Audit & Supervisory Board, the Board of Directors shall appoint the candidates after the relevant proposal has been sufficiently verified and agreed to by the Audit & Supervisory Board.

(v) Reasons for Appointment of Candidates for Members of the Board and Members of the Audit & Supervisory Board

The Company shall individually disclose matters considered important for appointment, such as details of career history for each candidate for Member of the Board and Member of the Audit & Supervisory Board in the Reference Documents for General Meeting of Shareholders.

With regard to candidates for Members of the Board (Outside) and Members of the Audit & Supervisory Board (Outside), the reasons for appointment are added to supplement these.

For Convocation Notice of the Ordinary General Meeting of Shareholders, please visit the following URL:

http://www.daiichisankyo.com/media_investors/investor_relations/shareholders/information/index.html

Supplementary Principles 4.1.1 Roles and Responsibilities of the Board (1)

The Company prescribes in the Board of Directors Regulations the matters referred to, and reported to the Board of Directors by the management team. In the Management Executive Meeting Regulations, and the approval policy, the decision-making scope entrusted to the management team is clearly prescribed. Important matters related to management (business plans, personnel and organization, financing, etc.) shall be referred to the Board of Directors, and the decision of other business execution allowable under laws and regulations shall be ultimately entrusted to the Representative Director and President.

Principle 4.8 Roles and Responsibilities of Independent Directors (Outside)

Aiming to strengthen the decision-making functions based on various perspectives, and to strengthen the supervising function for execution of operation, the Company prescribes in the Members of the Board Regulations that candidates for Members of the Board must include Members of the Board (Outside) whose independence from the Company has been secured. Currently four of ten Members of the Board are appointed as Independent Directors (Outside), and they provide proactive opinions and pertinent observations in the Board of Directors meetings.

Principle 4.9 Independence Standards for Members of the Board (Outside)

Concerning the independence of the Members of the Board (Outside), the Company judges this independence based on the precondition that the independence criteria set by the Tokyo Stock Exchange and the Company's criteria for independence of Member of the Board (Outside) are satisfied and on the viewpoint of whether the Company can expect the proactive opinions and pertinent observations about issues concerning the Company's business.

In line with the criteria for independence of Member of the Board (Outside) prescribed by the Members of the Board Regulations, the Company appoints Members of the Board (Outside) of excellent character and insight who possess specialist knowledge. The Company's criteria for independence of Member of the Board (Outside) and Member of the Audit & Supervisory Board (Outside) is also stated in the "Convocation Notice of the Ordinary General Meeting of Shareholders."

Supplementary Principle 4.11.1 View on Appropriate Balance between Knowledge, Experience and Skills of Board of Directors as a Whole, and on Diversity and Appropriate Board Size

The Company prescribes the requirements for Members of the Board in Members of the Board Regulations. Note that among the current ten Members of the Board, four are Members of the Board (Outside) who are not engaged in execution of business, and this is considered to be a balanced Board.

Please also see “Principle 3.1 (iv) Policies and Procedures for Appointment and Nomination of Candidates for Members of the Board and Members of the Audit & Supervisory Board.”

Supplementary Principle 4.11.2 Concurrent Positions of Members of the Board and Members of the Audit & Supervisory Board Held at Other Listed Companies

For matters concerning the fulfillment of duties of Members of the Board and Members of the Audit & Supervisory Board, the Company prescribes these duties, the required mindset, etc. in the Members of the Board Regulations and the Audit Standard for Members of the Audit & Supervisory Board. With respect to concurrent positions as member of the board or member of the audit & supervisory board held at another company, Members of the Board and Members of the Audit & Supervisory Board excluding Members of the Board (Outside) and Members of the Audit & Supervisory Board (Outside), in principle shall not hold concurrent positions held at listed companies outside the Daiichi Sankyo Group. Moreover, if Members of the Board (Outside) and Members of the Audit & Supervisory Board (Outside) intend to accept a request to assume an appointment as a member of the board or member of the audit & supervisory board at a listed company, they are required to report this beforehand.

As of the date of this document, there are no cases of concurrent positions having an influence on the Company’s business operations.

The details on the material concurrent positions of each Member of the Board and Member of the Audit & Supervisory Board are disclosed each year in the “Convocation Notice of the Ordinary General Meeting of Shareholders” and the “Annual Securities Report.”

Please view this information at the following URL:

Convocation Notice of the Ordinary General Meeting of Shareholders :

http://www.daiichisankyo.com/media_investors/investor_relations/shareholders/information/index.html

Annual Securities Report (Japanese report):

<http://www.daiichisankyo.co.jp/ir/library/financial/index.html>

Supplementary Principle 4.11.3 Ensuring Effectiveness of the Board of Directors as a Whole

The Company receives assessments and opinions from each Member of the Board concerning the present state and operation, etc. of the Board of Directors, and utilizes this and other information to improve the operation, etc. of the Board of Directors. The Company will continue to report on whether discussion in the Board of Directors is active and significant as necessary in the “Corporate Governance Report” and in other reports.

Supplementary Principle 4.14.2 Training Policies for Members of the Board and Members of the Audit & Supervisory Board

If it is deemed necessary for Members of the Board or Members of the Audit & Supervisory Board, or requested by one of these members, the Company has the systems in place to appropriately and promptly provide the necessary information for the fulfillment of duties, such as providing theme-based training sessions relating to themes considered necessary for Members of the Board or Members of the Audit & Supervisory Board or themes based on requests by one of these members, or providing the opportunity to be an observer at business locations. Moreover, the Company will provide, as necessary, training

opportunities conducted by third-party institutions that can be of use for the fulfillment of duties, and the costs of such training will be covered by the Company.

Newly appointed Members of the Board (Outside) and Members of the Audit & Supervisory Board (Outside) receive training before assuming their positions. These seminars teach an overview of the Company, the industry environment, the corporate philosophy, the state of business operations, and matters relating to corporate governance, as well as the relevant regulations related to their positions. Moreover, in order to enhance discussion in the Board, the Company provides preliminary seminars about themes discussed by the Board of Directors to contribute to the sharing and promoting of understanding of internal company information with Members of the Board (Outside) and Members of the Audit & Supervisory Board (Outside). The Company also provides Corporate Officers, who are positioned as potential candidates for becoming Members of the Board, with seminars that provide senior executive oriented training before they assume their position as Corporate Officer.

Principle 5.1 Dialogue with Shareholders

As prescribed in the “Daiichi Sankyo Group Corporate Conduct Charter,” we actively communicate with our stakeholders and disclose corporate information in a timely and appropriate manner in accordance with the principles of corporate accountability. Please read the Corporate Conduct Charter at the following URL:

http://www.daiichisankyo.com/about_us/responsibility/business_conduct/kensho/index.html

Moreover, we disclose information in a transparent, fair and continuous manner as prescribed in the Company’s policy on disclosure of IR information, which is also presented on the Company’s website at the following URL:

http://www.daiichisankyo.com/media_investors/investor_relations/ir_disclosure_policy.html

The President, the Member of the Board in charge of Finance, and the Corporate Communications Department are in charge of the disclosure of corporate information. The Corporate Communications Department endeavors to disclose detailed information, and when necessary, receives the assistance of the responsible persons of each division to make this happen. We respond earnestly to requests from shareholders to engage in dialogue, and respond by giving fair consideration to the purpose and details of the proposed meeting.

More specifically, we provide information in the following ways. The President and the Member of the Board in charge of Finance hold interviews with Japanese and foreign shareholders and investors, hold a Top Management Presentation for the financial results every quarter, and broadcast messages via the website. The Corporate Communications Department reply to individual inquiries (telephone or email), respond to the media, participated in conferences organized by securities companies and presentations for individual investors, prepare corporate reports (“IR Report,” “Value Report (Integrated Report)”, “Shareholder Report,” “Convocation Notice for the Ordinary General Meeting of Shareholders,” e-mail magazines (twice a month). The Company regularly provide the management team with feedback concerning the opinions of shareholders and investors received through the above activities.

In our communication with shareholders and investors we only discuss publicly disclosed information to ensure fairness, and we put thorough efforts into managing insider information. Moreover, based on the regular surveys we hold of the shareholder composition, we report these results to the management team.

Further Information

For the latest and more detailed IR information on the Company, please visit the “Investor Relations” page on the Company’s website.

http://www.daiichisankyo.com/media_investors/investor_relations/index.html

2. Capital Structure

Ratio of shares held by foreigners	20% or more but less than 30%
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[Major Shareholders]

Name	Number of shares held (shares)	Ratio (%)
The Master Trust Bank of Japan, Ltd. (trust account)	43,837,100	6.18
Japan Trustee Services Bank, Ltd. (trust account)	41,512,600	5.85
Nippon Life Insurance Company	35,776,282	5.05
JP MORGAN CHASE BANK 385147	18,853,000	2.66
Trust & Custody Services Bank, Ltd. as trustee for Mizuho Bank, Ltd. Retirement Benefit Trust Account re-entrusted by Mizuho Trust and Banking Co., Ltd.	14,402,892	2.03
Sumitomo Mitsui Banking Corporation	11,413,368	1.61
Employee stock ownership of Daiichi Sankyo Group	10,952,874	1.54
DEUTCHE BANK TRUST COMPANY AMERICAS ADR DEPT ACCOUNT	10,368,659	1.46
STATE STREET BANK AND TRUST COMPANY 505225	10,196,073	1.44
Mizuho Bank, Ltd.	8,591,876	1.21

Existence of controlling shareholder (excluding parent company)	—
Parent company	None

Supplementary explanation

3. Corporate Attributes

Stock exchange and section	First section of the Tokyo Stock Exchange
Fiscal year end	March 31
Business category	Pharmaceuticals
Number of employees (consolidated)	1,000 or more
Net sales (consolidated)	100 billion yen or more but less than 1 trillion yen
Number of consolidated subsidiaries	50 or more but less than 100

4. Guideline on Measures to Protect Minority Shareholders When Conducting Transactions with a Controlling Shareholder

5. Other Special Circumstances That Could Have a Significant Influence on Corporate Governance

II. Operational Management Organizations Related to Managerial Decision-Making, Execution and Supervision and Other Corporate Governance Structure

1. Matters Related to Organizational Structure, Organizational Management, etc.

Organization form	Company with Members of the Audit & Supervisory Board
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[Matters Related to Members of the Board]

Number of Members of the Board prescribed in the Articles of Incorporation	Fourteen
Term of office of Members of the Board prescribed in the Articles of Incorporation	One year
Chairman of the Board of Directors	President of the Company
Number of Members of the Board	Ten
Appointment of Members of the Board (Outside)	Appointed
Number of Members of the Board (Outside)	Four
Number of Members of the Board (Outside) that are Independent Directors	Four

Members of the Board (Outside) and Their Relationship with the Company (1)

Name	Attribute	Relationship with the company										
		a	b	c	d	e	f	g	h	i	j	k
Noritaka Uji	From other company											
Hiroshi Toda	From other company								Y2			
Naoki Adachi	From other company											
Tsuguya Fukui	Academic											

Attributes are selected from among the following options: from other company; attorney; certified public accountant; tax accountant; academic; other.

- “From other company” means that the individual has experience of working in another company either currently or in the past. For example, even if the individual worked in another company 30 years ago for around 1 year, he/she still qualifies as “from other company.”

“Academic” means a professor, associate professor, or holder of an equivalent position at a university or graduate school.

Options for “Relationship with the company”

- “Y1” is entered if the person in question corresponds/has corresponded with any of the following categories at present/currently, and “Y2” is entered if the said person corresponded with any of the following categories in the past.

- “Y3” is entered if immediate family members of the person in question correspond/have corresponded with any of the following categories (excluding h. to j.) at present/currently, and “Y4” is entered if immediate family members corresponded to any of the following categories (excluding h. to j.) in the past.

- Executive Officer in a listed company or its subsidiary
- Executive Officer or non-executive director of a parent company of a listed company
- Executive Officer of a brother company of a listed company
- Person whose main business partner is a listed company or an Executive Officer of the same

- e. Main business partner of a listed company or an Executive Officer of the same
- f. Consultant, accountant or legal expert who receives a large amount of cash or other properties from a listed company in addition to executive remuneration
- g. Major shareholder of a listed company (if the said major shareholder is a corporation, an Executive Officer in the said corporation)
- h. Executive Officer in a business partner of a listed company (which does not correspond to d, e or f; applies only to the person in question)
- i. Executive Officer in an entity with which the Company has a cross-directorship arrangement (applies only to the person in question)
- j. Executive Officer in an entity which receives a donation from a listed company (applies only to the person in question)
- k. Others

Members of the Board (Outside) and Their Relationship with the Company (2)

Name	Supplementary explanation	Reason for appointment of the said Member of the Board (Outside)
Noritaka Uji	Independent Director	<p>The Company has appointed Mr. Uji as Member of the Board (Outside) and as Independent Director, so that his expertise on the information communication business and his insight on overall corporate management based on his corporate management experience will be reflected in the management of the Company.</p> <p>The Company considers that Mr. Uji maintains the attributes of neutrality and fairness as an independent director who is without any fact itemized by the Tokyo Stock Exchange as facts that could cause conflicts of interest against common shareholders, and who satisfies the Company's criteria for independence of Members of the Board (Outside) (refer to "Other Matters Related to Independent Directors / Members of the Audit & Supervisory Board").</p>
Hiroshi Toda	<p>Independent Director</p> <p>Nomura Securities Co., Ltd. for which Hiroshi Toda served as Director until March 2009 is the Company's lead managing underwriter but there is no other material relationship between Nomura and the Company.</p>	<p>The Company has appointed Mr. Toda as Member of the Board (Outside) and as Independent Director, so that his expertise on securities and finance and his insight based on his corporate management and diplomatic experience will be reflected in the management of the Company.</p> <p>The Company considers that Mr. Toda maintains the attributes of neutrality and fairness as an independent director who is without any fact itemized by the Tokyo Stock Exchange as facts that could cause conflicts of interest against common shareholders, and who satisfies the Company's criteria for independence of Members of the Board (Outside) (refer to "Other Matters Related to Independent Directors / Members of the Audit & Supervisory Board").</p>
Naoki Adachi	Independent Director	<p>The Company has appointed Mr. Adachi as Member of the Board (Outside) and as Independent Director, so that his expertise on broad business areas based on printing technology and his insight</p>

		<p>on overall corporate management based on his management experience will be reflected in the management of the Company.</p> <p>The Company considers that Mr. Adachi maintains the attributes of neutrality and fairness as an independent director who is without any fact itemized by the Tokyo Stock Exchange as facts that could cause conflicts of interest against common shareholders, and who satisfies the Company's criteria for independence of Members of the Board (Outside) (refer to "Other Matters Related to Independent Directors / Members of the Audit & Supervisory Board").</p>
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Tsuguya Fukui	Independent Director	<p>The Company has appointed Mr. Fukui as Member of the Board (Outside) and as Independent Director, so that his professional knowledge and insight as a medical scientist will be reflected in the management of the Company.</p> <p>The Company considers that Mr. Fukui maintains the attributes of neutrality and fairness as an independent director who is without any fact itemized by the Tokyo Stock Exchange as facts that could cause conflicts of interest against common shareholders, and who satisfies the Company's criteria for independence of Members of the Board (Outside) (refer to "Other Matters Related to Independent Directors / Members of the Audit & Supervisory Board").</p>
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Existence of voluntarily established committees corresponding to Nomination Committee or Compensation Committee	Yes
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a. Committees established voluntarily, member composition, attribute of chairperson

	Name of Committee	Total no. of Committee Members	No. of full-time committee members	No. of In-house Members of the Board	No. of Members of the Board (Outside)	No. of External Experts	No. of Others	Chairpersons
Voluntarily established committee corresponding to Nomination Committee	Nomination Committee	4			4			Member of the Board (Outside)
Voluntarily established committee corresponding to Compensation Committee	Compensation Committee	4			4			Member of the Board (Outside)

b. Supplementary explanation

The Company has established a Nomination Committee and a Compensation Committee as advisory organs to the President regarding the determination of such matters as the nomination and compensation of Members of the Board and Corporate Officers, to strengthen oversight of management and the conduct of operations and ensure management transparency. These Committees both consist of at least three Members of the Board, of whom Members of the Board (Outside) form a majority.

[Matters Related to Members of the Audit & Supervisory Board]

Establishment of the Audit & Supervisory Board	Established
Number of Members of the Audit & Supervisory Board prescribed in the Articles of Incorporation	Four
Number of Members of the Audit & Supervisory Board	Four

Cooperation among Members of the Audit & Supervisory Board, the Accounting Auditor, and the Internal Audit Department

The Members of the Audit & Supervisory Board of the Company and KPMG AZSA LLC, the accounting auditor, strive to cooperate with each other by holding meetings periodically and sharing information such as the audit plan of the auditing firm, state of audit implementation, and separate accounting issues, etc. The Members of the Audit & Supervisory Board also work to promote business cooperation with the Internal Audit Department and receive variety of reports including those on their audit plan and audit results, etc.

Appointment of Members of the Audit & Supervisory Board (Outside)	Appointed
Number of Members of the Audit & Supervisory Board (Outside)	Two
Number of Members of the Audit & Supervisory Board (Outside) that are Independent Members of the Audit & Supervisory Board	Two

Members of the Audit & Supervisory Board (Outside) and Their Relationship with the Company (1)

Name	Attribute	Relationship with the company												
		a	b	c	d	e	f	g	h	i	j	k	l	m
Akiko Kimura	Attorney													
Yutaka Katagiri	Other													

Relationship with the company

- Executive Officer in a listed company or its subsidiary
- Non-executive director or accounting advisor of a listed company or its subsidiary
- Executive Officer or non-executive director of a parent company of a listed company
- Audit & supervisory board member of a parent company of a listed company
- Executive Officer of the brother company of a listed company
- Person whose main business partner is a listed company or an Executive Officer of the same
- Main business partner of a listed company or an Executive Officer of the same
- Consultant, accountant or legal expert who receives a large amount of cash or other properties from a listed company in addition to executive remuneration
- Major shareholder of a listed company (if the said major shareholder is a corporation, an Executive Officer in the said corporation)
- Executive Officer in a business partner of a listed company (which does not correspond to f, g or h; applies only to the person in question)
- Executive Officer in an entity with which the Company has a cross-directorship arrangement (applies only to the person in question)
- Executive Officer in an entity which receives a donation from a listed company (applies only to the person in question)
- Others

Members of the Audit & Supervisory Board (Outside) and Their Relationship with the Company (2)

Name	Supplementary explanation	Reason for appointment of the said Member of the Audit & Supervisory Board (Outside)
Akiko Kimura	Independent Member of the Audit & Supervisory Board	<p>The Company has appointed Ms. Kimura as Member of the Audit & Supervisory Board (Outside) and as Independent Member of the Audit & Supervisory Board, so that her knowledge and insight based on her abundant experience as an attorney will be reflected in the audit of management of the Company.</p> <p>The Company considers that Ms. Kimura maintains the attributes of neutrality and fairness as an independent member of the audit & supervisory board who is without any fact itemized by the Tokyo Stock Exchange as facts that could cause conflicts of interest against common shareholders, and who satisfies the Company's criteria for independence of Members of the Audit & Supervisory Board (Outside) (refer to "Other Matters Related to Independent Directors / Members of the Audit & Supervisory Board").</p>
Yutaka Katagiri	Independent Member of the Audit & Supervisory Board	<p>The Company has appointed Mr. Katagiri as Member of the Audit & Supervisory Board (Outside) and as Independent Member of the Audit & Supervisory Board, so that his knowledge and insight based on his experience at administrative agencies, etc. will be reflected in the audit of management of the Company.</p> <p>The Company considers that Mr. Katagiri maintains the attributes of neutrality and fairness as an independent member of the audit & supervisory board who is without any fact itemized by the Tokyo Stock Exchange as facts that could cause conflicts of interest against common shareholders, and who satisfies the Company's criteria for independence of Members of the Audit & Supervisory Board (Outside) (refer to "Other Matters Related to Independent Directors / Members of the Audit & Supervisory Board").</p>

[Matters Related to Independent Directors / Members of the Audit & Supervisory Board]

Number of Independent Directors / Members of the Audit & Supervisory Board	Six
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Other Matters Related to Independent Directors / Members of the Audit & Supervisory Board

Criteria for Independence as Member of the Board (Outside) / Member of the Audit & Supervisory Board (Outside)

In nominating candidates for Members of the Board, the Company shall include a person who satisfies the definition of Member of the Board (Outside), aiming at reinforcing decision-making functions from various perspectives and enhancing the supervising function for execution of operation. Outside Directors/ Auditors (Member of the Board (Outside) and Member of the Audit & Supervisory Board (Outside)) are required to ensure their independence from the Company.

On March 31, 2014, the Board of Directors and the Audit & Supervisory Board resolved “Criteria for independence” as follows:

1. A Member of the Board or a Member of the Audit & Supervisory Board shall be determined to be independent from the Company and may not have a conflict of interest with general shareholders of the Company unless he or she falls into any of the following categories:.

(1) A candidate or his or her immediate family member* who:

- i) is or has been an Executive Officer, of the Company or brother company or subsidiary (referring to a director other than outside director, corporate officer, executive officer or other employee; provided, however, limited to those who are important persons in terms of relationship with immediate family members. The same shall apply hereafter.); or
- ii) has received during any of the last three fiscal years more than ¥10 million in direct compensation for his or her services as a consultant, a specialist in law, accounting or tax, or a healthcare professional, etc. from the Company, other than director or member of audit & supervisory board compensation.

* An “immediate family member” includes a person’s spouse, parents, children, siblings, grandparents, grandchildren, mothers and fathers-in-law, sons and daughters-in-law, spouses of siblings, grandchildren-in-law, and brothers and sisters-in-law. The same shall apply hereafter.

(2) A candidate or his or her immediate family member who is or has been within the last ten years, an Executive Officer, of a corporation or other association falling into:

i) Business relationship

- a) a company that has made payments to, or received payments from, the Group for products or services in an amount which, in any of the last three fiscal years, exceeds 2% of any of the companies’ consolidated gross revenues;
- b) a consulting firm, law firm, auditing firm, tax accounting firm or school corporation that receives remuneration from the Group exceeding 10% of its gross revenue in any of the last three fiscal years; or
- c) a lender from whom the Group obtained a loan of more than 10% of its consolidated total assets at the end of the fiscal year immediately before nomination.

ii) Major shareholder

A corporation or other legal entity that is a major shareholder of the Company or a corporation of which the Company is a major shareholder at the time of determining the independence. A major

shareholder means a shareholder holding at least 10% of total shares outstanding of the Company.

iii) Recipient of charitable contributions

An organization to which the Company's discretionary charitable contributions in any of the last three fiscal years are more than ¥10 million and 2% of annual gross revenues of that organization or other associations.

iv) Accounting auditor

An audit firm that is or has been for the last three years an accounting auditor of the Company Group.

v) Cross-directorship arrangement

When an Executive Officer of the Company is a current Member of the Board (Outside) or Member of the Audit & Supervisory Board (Outside) in a cross-directorship arrangement with the listed company.

2. Even though a candidate for an outside director/ auditor falls into any of the above, when the Board of Directors or the Audit & Supervisory Board judge him or her to be ensured of independence after a comprehensive review, he or she may be determined to have no problem with criteria for independence as an outside director/ auditor.

[Matters Related to Incentives]

Implementation of measures concerning grant of incentives to Members of the Board	Introduction of performance based bonus Introduction of stock option program
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Supplementary Explanation Related to Applicable Items	Updated
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- Performance based bonuses serving as short-term incentives are determined by interlocking remuneration with the degree of achievement of a single fiscal year measured by adopting revenue, operating profit margin and profit attributable to owners of the Company as the relevant indices.
- Share remuneration-type stock options serving as long-term incentives provide a scheme whereby the value of current management efforts being reflected in future share price rises can be received.

The status of stock options held by the Company's Members of the Board as of March 31, 2015, is as follows:

(1) Share options No. 1

Date of issuance: February 15, 2008
 Number of share options: 131 units
 (100 shares of the common stock of the Company per unit)
 Number of grantees: Six
 Issue price: 2,528 yen per share
 Exercise price: 1 yen per share

(2) Share options No. 2

Date of issuance: November 17, 2008
 Number of share options: 215 units
 (100 shares of the common stock of the Company per unit)
 Number of grantees: Six
 Issue price: 1,342 yen per share
 Exercise price: 1 yen per share

(3) Share options No. 3

Date of issuance: August 17, 2009
 Number of share options: 444 units
 (100 shares of the common stock of the Company per unit)
 Number of grantees: Six
 Issue price: 1,338 yen per share
 Exercise price: 1 yen per share

(4) Share options No. 4

Date of issuance: August 19, 2010
 Number of share options: 673 units
 (100 shares of the common stock of the Company per unit)
 Number of grantees: Six
 Issue price: 1,197 yen per share
 Exercise price: 1 yen per share

(5) Share options No. 5

Date of issuance: July 12, 2011

Number of share options: 758 units
(100 shares of the common stock of the Company per unit)

Number of grantees: Six

Issue price: 1,112 yen per share

Exercise price: 1 yen per share

(6) Share options No. 6

Date of issuance: July 9, 2012

Number of share options: 1,003 units
(100 shares of the common stock of the Company per unit)

Number of grantees: Six

Issue price: 884 yen per share

Exercise price: 1 yen per share

(7) Share options No. 7

Date of issuance: July 8, 2013

Number of share options: 719 units
(100 shares of the common stock of the Company per unit)

Number of grantees: Six

Issue price: 1,199 yen per share

Exercise price: 1 yen per share

(8) Share options No. 8

Date of issuance: July 8, 2014

Number of share options: 681 units
(100 shares of the common stock of the Company per unit)

Number of grantees: Six

Issue price: 1,361 yen per share

Exercise price: 1 yen per share

(9) Share options No. 9

Date of issuance: July 7, 2015

Number of share options: 566 units
(100 shares of the common stock of the Company per unit)

Number of grantees: Six

Issue price: 1,858 yen per share

Exercise price: 1 yen per share

Persons to whom stock options are granted	In-house Members of the Board and Corporate Officers
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Supplementary Explanation Related to Applicable Items

After having considered a remuneration system linked to the improvement of corporate value with regard to fees for Members of the Board and Corporate Officers, the Company decided not to employ the retirement benefit system and introduced a share remuneration-type stock option program, which serves as a long-term incentive.

[Matters Related to Remuneration to Members of the Board]

Disclosure of individual remuneration to Members of the Board	Only part of remuneration to Members of the Board is disclosed individually
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Supplementary Explanation Related to Applicable Items

The amount of remuneration and related payments to Members of the Board and Members of the Audit & Supervisory Board in the fiscal year ended March 2015 is disclosed in the Business Report. It stands at 660 million yen, of which 90 million yen is the amount of fees paid to Members of the Board (Outside) and Members of the Audit & Supervisory Board (Outside). The component of the amount is shown below.

[Members of the Board]

Fees (annual amount): 386 million yen (including 60 million yen for Members of the Board (Outside))

Members' of the Board bonuses: 69 million yen

Share remuneration-type stock option remuneration: 101 million yen

Total: 555 million yen (including 60 million yen for Members of the Board (Outside))

[Members of the Audit & Supervisory Board]

Fees (annual amount): 105 million yen (including 30 million yen for Members of the Audit & Supervisory Board (Outside))

Total: 105 million yen (including 30 million yen for Members of the Audit & Supervisory Board (Outside))

Information regarding remuneration and related payments to Members of the Board and Members of the Audit & Supervisory Board receiving 100 million yen or more is individually disclosed in the Annual Securities Report.

Existence of policy for deciding amount of remuneration or its calculation method	Yes
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Disclosure Details of Policy for Deciding Amount of Remuneration or Its Calculation Method**1) Basic design of remuneration to Members of the Board**

- Remuneration to Members of the Board is designed to provide remuneration that contributes to maximize corporate value. Specifically, in addition to a basic remuneration, performance based bonuses serving as short-term incentive and share remuneration-type stock options serving as long-term incentive are adopted.
- Performance based bonuses serving as short-term incentives are determined by the degree of achievement of a single fiscal year measured by adopting revenue, operating profit margin and profit attributable to owners of the Company as the relevant indices.
- Share remuneration-type stock options serving as long-term incentives provide a scheme whereby stock options may not be exercised during the period in office of a Member of the Board and the value of current management efforts being reflected in future share price rises can be received.

- The level of remunerations is set aiming to provide medium to high level remunerations in the industrial sector, referring to the levels of other companies learned from the surveys of external specialist institutions.
- In order to ensure that Members of the Board (Outside) and Members of the Audit & Supervisory Board adequately perform their role, which is supervision of management, short-term and long-term incentives are not provided and only basic remuneration is granted.

2) Procedures for deciding remuneration of Members of the Board

- The General Meeting of Shareholders has approved a basic remuneration of Members of the Board at a maximum limit of 450 million yen per fiscal year and a total amount of share remuneration-type stock options to be granted to Members of the Board at a maximum limit of 140 million yen per fiscal year. Performance based bonuses are approved by the General Meeting of Shareholders for the relevant fiscal year.
- The General Meeting of Shareholders has approved a basic, fixed remuneration of Members of the Audit & Supervisory Board, which shall be the only remuneration they receive, at a maximum limit of 120 million yen per fiscal year.
- The Compensation Committee, a voluntarily established committee in which the majority of members are Members of the Board (Outside), shall deliberate on; the remuneration system and criteria of Members of the Board and Corporate Officers, the remuneration level for each position, the performance based bonus results, and the granting of share remuneration-type stock options.

[System for Supporting Members of the Board (Outside) and Members of the Audit & Supervisory Board (Outside)]

The Secretariat Department is responsible for supporting Members of the Board (Outside). Assistants to the Audit & Supervisory Board Members are in charge of supporting Members of the Audit & Supervisory Board (Outside).

2. Matters Related to Functions, Including Execution of Business, Audit/Supervision, Nomination and Decision of Fees (outline of current corporate governance structure)

(1) Outline of current corporate governance structure

1) Outline of governance structure and basic explanation of company organs

In addition to creating a management structure that can respond more speedily and flexibly to changes in the business environment, the Daiichi Sankyo Group is working to secure legal compliance and management transparency and to strengthen oversight of management and the conduct of operations.

Daiichi Sankyo strives for the appropriate and swift management decision-making and the conduct of operations. To facilitate, the Company has adopted a Corporate Officer System whereby the Members of the Board are responsible for oversight of important management decisions and the conduct of operations while the Corporate Officers, appointed by the Board of Directors, bear responsibility and authority for the conduct of operations under the control and supervision of the President. The Management Executive Meeting – which consists of Members of the Board and executives appointed by the President who are responsible for the main regions, corporate bodies and functions at the global level – deliberates important matters in the conduct of operations. The Company has established a Nomination Committee and a Compensation Committee as discretionary organs, which deliberate such matters as the nomination and compensation of Members of the Board and Corporate Officers. These Committees both consist of at least three Members of the Board, of whom Members of the Board (Outside) form a majority, and are chaired by a Member of the Board (Outside). The Company has also adopted an Audit & Supervisory Board System under which the Audit & Supervisory Board audits the legal compliance and soundness of corporate management.

The above structure provides the foundations whereby the Daiichi Sankyo Group strengthens the oversight function over the conduct of overall operations and ensures management transparency.

2) Daiichi Sankyo's decision-making structure

The Company holds a Board of Directors meeting, in principle, once a month to resolve key operational execution matters and to supervise the executions of duties of Members of the Board. Furthermore, in order to create a management structure that can respond speedily and flexibly to changes in the business environment, the President of the Company, based on management policy and board resolutions over key operational execution matters, clarifies execution plan through deliberations in the Management Executive Meetings which are held at least once a month and then delegates such execution plan to relevant Corporate Officer or head of division/subsidiary who is in charge of specific operations.

3) System to ensure the rightfulness of Daiichi Sankyo's decision-making

(i) Nomination of Members of the Board and Corporate Officers

- The term of office for Members of the Board and Corporate Officers is set at one year to respond swiftly to changes in the business environment and to clarify management responsibility.
- Nomination of Members of the Board and Corporate Officers is discussed at the voluntarily established Nomination Committee. To secure further rightfulness, the Nomination Committee consists of at least three Members of the Board, of whom Members of the Board (Outside) form a majority, and is chaired by a Member of the Board (Outside).

(ii) Compensation

To ensure the rightfulness of compensation for Members of the Board and Corporate Officers, following actions are taken.

- Compensation system for Members of the Board and Corporate officers is clarified.
- Performance based bonus as a short-term incentive and stock option as long-term incentive are built in. Retirement benefit system has never been introduced.
- In light of the role of Members of the Board (Outside), which is supervision of management, basic compensation system is employed for Members of the Board (Outside) without short-term and long-term incentives.
- The Compensation Committee, which was voluntarily established, deliberates the compensation level for Members of the Board and Corporate Officers and evaluations on the short-term and long-term incentives. To secure further rightfulness, the Compensation Committee consists of at least three Members of the Board, of whom Members of the Board (Outside) form a majority, and is chaired by a Member of the Board (Outside).

(iii) Corporate Ethics Committee, Environmental Management Committee

To promote proper management, in addition to Management Executive Meeting, Daiichi Sankyo Group has established several committees, which deliberate certain matters and report to the President.

- The Corporate Ethics Committee has been established to comply with Japanese and other jurisdictions' laws and corporate ethics and to promote the management of corporate social responsibility. In addition to persons in charge of operational execution, Members of the Audit & Supervisory Board and outside attorneys are invited to the committee.
- The Environmental Management Committee has been established to promote environmental management, which elaborates to reduce environmental burden and harmonize with global environment and contributes to building sustainable society through overall corporate activities.

(2) Measures to reinforce Members of the Audit & Supervisory Board function**1) Member of the Audit & Supervisory Board assistants**

The Company appoints two full-time staff members to assist duties of Members of the Audit & Supervisory Board. The assistants are independent of Members of the Board, and execute duties under the directions and orders from Members of the Audit & Supervisory Board. Personnel changes, performance appraisal, etc. of the assistants require prior consent of the Audit & Supervisory Board.

2) Cooperation with the accounting auditor

The Members of the Audit & Supervisory Board of the Company and KPMG AZSA LLC, the accounting auditor, strive to cooperate with each other by holding meetings periodically and sharing information such as the audit plan of the auditing firm, quarterly audit/review results, internal control audit (J-SOX) reports, etc. The certified public accountants who executed accounting audit of the Company were Takuji Kanai, Masahiro Miyahara, and Atsushi Tanaka. 8 certified public accountants, and 17 persons who have passed the certified public accountant examination, IT audit specialists and others acted as assistants in the accounting audit of the Company.

3) Cooperation with the Internal Audit Department

Members of the Audit & Supervisory Board are fully informed of the status of internal audit. Members of the Audit & Supervisory Board receive and exchange opinions on variety of reports from the Internal Audit Department, including those on their audit plan. In addition, Members of the Audit

& Supervisory Board receive reports on the results of internal audit as appropriate.

4) Hearings from Members of the Board and key employees

Members of the Audit & Supervisory Board set up opportunities to hear from Members of the Board and key employees about their operations and managing status of the Company, and audit existence of fact, such as facts that could harm soundness of the Company, violation of laws and regulations, and the Articles of Incorporation. Members of the Audit & Supervisory Board also exchange opinions with the Representative Directors regarding important audit issues as appropriate, in addition to holding semi-annual meetings.

5) Participation in important meetings

Members of the Audit & Supervisory Board attend important meetings such as Board of Directors meetings, Management Executive Meetings, Corporate Ethics Committee, and audit the legality and validity of their decision making.

6) Review of important documents

Members of the Audit & Supervisory Board are provided with minutes and documents of important meetings without delay. Members of the Audit & Supervisory Board, in accordance with the approval policy, are also set as permanent recipient of approved matters and verify the legality and validity of such matters.

7) Compensations for Members of the Audit & Supervisory Board

In light of their role as Members of the Audit & Supervisory Board, basic fixed compensation system is employed for Members of the Audit & Supervisory Board without short-term and long-term incentives.

3. Rationale of the Current Corporate Governance Structure

In addition to creating a management structure that can respond speedily and flexibly to changes in the business environment, the Daiichi Sankyo Group is working to secure legal compliance and management transparency and to strengthen oversight of management and the conduct of operations. We place great importance on building up a corporate governance structure that is responsive to the trust of our stakeholders, especially our shareholders.

Role and function of Members of the Board (Outside)

At Daiichi Sankyo, we have established a requirement that Members of the Board (Outside) must always be included among candidates for Members of the Board in order to reinforce management decision-making functions and the supervising function from various perspectives. At present, four of the ten Members of the Board are Members of the Board (Outside), and they are all Independent Directors who ensure their independence from the Company. They sufficiently exercise their management decision-making functions and supervisory function by expressing their opinion objectively, neutrally and fairly from various perspectives based on their expertise, experience and insight in Japan and overseas in fields including corporate management, finance, international affairs and medical science.

The Nomination Committee and the Compensation Committee both consist of at least three Members of the Board, of whom Members of the Board (Outside) form a majority, and are chaired by a Member of the Board (Outside).

III. Implementation of Measures Related to Shareholders and Other Stakeholders**1. Efforts for Revitalization of General Meeting of Shareholders and Facilitation of Exercise of Voting Rights**

	Supplementary explanation
Early sending of convocation notice of general meeting of shareholders	The Company sent convocation notices regarding the 10 th Ordinary General Meeting of Shareholders, 24 days before (on May 29, 2015) it was scheduled to be held.
Scheduling the general meeting of shareholders to avoid busy dates	The 10 th Ordinary General Meeting of Shareholders was held on June 22, 2015 which is four business days before the date when many such meetings are held in Japan.
Exercise of voting rights by electromagnetic means	To improve the convenience of individual investors and institutional investors, the Company implements systems whereby voting rights can be exercised using information technology (IT).
Participation in platform for electronic exercise of voting rights and other efforts to improve environment for institutional investors to exercise their voting rights	The Company participates in the platform for electronic exercise of voting rights for institutional investors operated by ICJ Inc.
Provision of English (abstract) versions of convocation notices	The Company prepares English versions of its convocation notices and posts the notices on its website.
Others	The Company posts the results of shareholder votes on its website.

2. IR Activities

	Supplementary explanation	Explanation by the representative in person
Forming and announcing of disclosure policy	The Company's policy on disclosure of IR information is provided and announced via the Company's website. http://www.daiichisankyo.co.jp/ir/policy/index.html	
Periodic briefings for individual investors	The Company held 12 such briefings in the fiscal year ended March 2015. The Company also updated top message for individual investors twice a year on our website.	Yes
Periodic briefings for analysts and institutional investors	For the fiscal year ended March 2015, the CEO gave management briefings on financial reports for investors, securities analysts and the media when the Company announced its 2Q-end and full-year business results. At the 2Q-end briefing, the Global Head of R&D also provided explanations on certain topics. The Company also gave briefings in telephone meeting when it announced its business results for 1Q and 3Q. Presentations and/or webcasts of these briefings, etc., including Q&As, are available on our website.	Yes

	Supplementary explanation	Explanation by the representative in person
Periodic briefings for overseas investors	<p>The presentations and webcasts, including Q&As, from the briefings held when the Company announced its 2Q-end and full-year business results for the fiscal year ended March 2015, are available on the Company website in both English and Japanese.</p> <p>The Company also visits foreign institutional investors or has conference call with them as the occasion may demand.</p>	Yes
Investor relations (IR) materials placed on the website of the Company	<p>The Company, on its website, has various IR materials including summaries of financial results, various types of materials for briefings, securities reports, documents related to general meetings of shareholders, shareholder reports, and value reports.</p> <p>The Company also sends out video messages from the President, operates a website for individual investors and sends out an IR e-mail magazine.</p> <p>Japanese website: http://www.daiichisankyo.co.jp Worldwide website: http://www.daiichisankyo.com</p>	—
Establishment of department (person) related to IR	IR Group, Corporate Communications Department	—

3. Efforts Related to Respect for Position of Stakeholders

	Supplementary explanation
Stipulation of respect for the position of stakeholders by in-house regulations, etc.	The Company stipulates respect for the position of stakeholders in the Daiichi Sankyo Group Corporate Conduct Charter and the Daiichi Sankyo Code of Conduct for Compliance.
Implementation of environmental conservation activities, corporate social responsibility (CSR) activities, and similar activities	<p>Under the Daiichi Sankyo Group Corporate Conduct Charter, Daiichi Sankyo aims to conduct all the Group's business operations with integrity to fulfill its corporate social responsibility (CSR) by providing safe and reliable medicines and related services that are of significant value to society.</p> <p>Daiichi Sankyo has defined its six core CSR domains as Compliance, Human Rights and Labor Practices, Communication, Environmental Management, Social Contribution, and Healthcare Access. The Group aims to enhance its activities in each of these domains on an ongoing basis.</p> <p>As part of its commitment to integrity, Daiichi Sankyo also seeks to upgrade its stakeholder communications by improving disclosure of information related to environmental, social and governance (ESG) issues.</p> <p>Besides, Daiichi Sankyo Group continues to pursue environmental management that contributes to reduce the environmental burden in every business operation including the efforts to address global warming.</p> <p>For more details of our CSR activities, please refer to our website and Value Report. http://www.daiichisankyo.com/about_us/responsibility/csr/index.html</p>
Formulation of policies, etc. related to provision of information to stakeholders	The Company specifies basic policies, including provision of information to stakeholders, in the Daiichi Sankyo Group Corporate Conduct Charter and the Daiichi Sankyo Code of Conduct for Compliance.
Others	<p><Policy on diversity of personnel></p> <p>The Daiichi Sankyo Group respects each employee's human rights and individuality, regardless of differences in background such as race, gender and nationality.</p> <p>One of the Members of the Audit & Supervisory Board (Outside) currently in office is a woman, while one of the Senior Executive Officers, who is Global Head of R&D and performs the key role in the execution of business, is an American. Furthermore, at some material subsidiaries such as Luitpold Pharmaceuticals, Inc. in the U.S., a female CEO directs the management group. The ratio of females within the number of key personnel was approximately 5.6% as of April 2012, and this is steadily increasing, having risen to 8.6% in the 2013 fiscal year, 9.8% in the 2014 fiscal year, and 13.2% in the 2015 fiscal year.</p> <p>The Daiichi Sankyo Group will continue to implement programs to cultivate a working environment in which all employees can realize their abilities fully, irrespective of gender. These include programs to support parents' work-life balance, for example through establishment of a parenting support system and in-company daycare centers.</p>

IV. Matters Related to Internal Control System

1. Basic Ideas about Internal Control System and Development of the System

The Daiichi Sankyo Group believes that compliance with societal rules, laws and regulations, the Company's code of conduct and various internal company regulations in the execution of duties by its Members of the Board and employees, and constructing an internal control system to secure such compliance, are important issues in the creation of continued corporate value. In accordance with this view, the Group has determined its Basic Policy on Establishing Internal Control Structure.

- a. Systems for Ensuring Compliance with Laws and Regulations and the Company's Articles of Incorporation in the Execution of Duties by Members of the Board
 - The Company shall establish a compliance system by stipulating the Daiichi Sankyo Group Corporate Conduct Charter, Daiichi Sankyo Group Principles of Individual Behavior, etc. as the code of conduct for Members of the Board and employees and setting up a meeting body, including outside experts.
 - The Company shall appoint Members of the Board (Outside) for the strengthening and enhancing the function to supervise management.
 - Members of the Audit & Supervisory Board shall audit the execution of duties by Members of the Board, process and contents of decision making and the status of the establishment and implementation of internal control systems.
- b. Systems Regarding the Retention and Management of Information Relating to the Execution of Duties by Members of the Board
 - The Company shall establish information security systems, and properly store and manage information relating to the execution of duties by Members of the Board, including the minutes of the Board of Directors, in accordance with laws, ordinances and internal regulations of the Company.
- c. Rules and Other Systems for Risk Management
 - The Company shall stipulate various internal regulations to establish risk management systems.
 - The Internal Audit Department shall audit the status of operation of the systems mentioned above.
- d. Systems for Ensuring the Efficient Execution of Duties by Members of the Board
 - The Company shall form a Management Executive Meeting - consisting of Members of the Board excluding Members of the Board (Outside), and executives appointed by the President who are responsible for the main regions, corporate bodies and functions - which shall deliberate important matters for strategic decision-making by the President. The Company shall also set up an approval system as a means of decision-making.
 - The Company shall introduce a corporate officer system in consideration of speedy decision making and execution of duties.
- e. Systems for Ensuring Compliance with Laws and Ordinances and the Company's Articles of Incorporation in the Execution of Duties by Employees
 - The Company shall establish a compliance system by stipulating Daiichi Sankyo Group Corporate

Conduct Charter, Daiichi Sankyo Group Principles of Individual Behavior, etc. as the code of conduct for Members of the Board and Members of the Audit & Supervisory Board and employees and setting up a meeting body, including outside experts.

- Vice Presidents and executives responsible for the main regions, corporate bodies and functions who receive orders from the President shall manage duties in their charge and supervise, manage and direct members of their business units in accordance with the “Global Management Regulations”, the “Organizational Management Regulations” and other Company rules.
- Each of the functions related to the improvement of systems concerning personnel management, risk management, etc. shall convey policies to manage and guide each department.
- The Internal Audit Department shall implement internal audit of the status of compliance with laws and ordinances, and the Articles of Incorporation and internal regulations.

f. Systems for Ensuring the Proper Operation of the Group, Consisting of the Company and Its Subsidiaries

- The Company shall establish “Global Management Regulations” and “Internal Control System Establishment Regulations” to clarify the management control system of the Daiichi Sankyo Group, and transmit management policies, etc. to Group companies and set a system in place for receiving reports on management and financial results from the Board of group companies.
- The Company shall establish “Group Company Management Regulations” to clarify responsibilities and authorities of each group company.
- The Company shall establish “Risk Management Promotion Regulations” to develop the Daiichi Sankyo Group risk management system.
- The Company shall establish Daiichi Sankyo Group Principles of Individual Behavior, etc. to develop it to all Group companies and also arrange the Group’s compliance promotion system to keep all Group companies informed about it.
- The Company shall establish “Internal Control Regulations on Financial Reporting” and ensure the reliability of financial reporting by properly implementing those regulations.
- The Company shall establish “Internal Audit Regulations” and implement internal audit on Group companies.

g. Systems Regarding Employees Assisting Duties of Members of the Audit & Supervisory Board, when Members of the Audit & Supervisory Board Ask to Appoint Such Employees

- The Company shall appoint full-time staffs who assist with the duties of Members of the Audit & Supervisory Board.

h. Matters Regarding the Independence of the Employees Specified in the Preceding Paragraph (g) from Members of the Board and Ensuring of Effectiveness of Instructions by Members of the Audit & Supervisory Board

- Full-time staffers assisting Members of the Audit & Supervisory Board shall be independent of Members of the Board, and shall execute duties under the directions and orders from Members of the Audit & Supervisory Board.
- Personnel changes, performance appraisal, etc. of full-time staffers assisting Members of the Audit & Supervisory Board shall require prior consent of the Audit & Supervisory Board.

- i. Systems of Reporting to Members of the Audit & Supervisory Board of the Company by Members of the Board and Employees of the Company and Subsidiaries and Other Systems Regarding Reporting to Members of the Audit & Supervisory Board of the Company
 - The Company shall establish a system under which when Members of the Board find facts that could badly hurt the Company, they shall immediately report the facts to Members of the Audit & Supervisory Board.
 - Members of the Audit & Supervisory Board of the Company shall receive reports on the status of execution of duties from executives and employees of the Company as well as executives and employees of Group companies.
 - Members of the Audit & Supervisory Board of the Company shall attend the Management Executive Meeting and other important meetings.
 - To verify process and details of approvals, the Company shall establish the Members of the Audit & Supervisory Board as permanent recipients of approval document notification.
- j. Other Systems for Ensuring the Effective Audit by Members of the Audit & Supervisory Board
 - Members of the Audit & Supervisory Board of the Company shall have meetings with Representative Members of the Board on a regular basis to check management policies and exchange views concerning important issues related to auditing.
 - Members of the Audit & Supervisory Board of the Company shall exchange information with Members of the Audit & Supervisory Board of the Group companies and closely cooperate with them.
 - Members of the Audit & Supervisory Board of the Company shall coordinate and exchange views with external auditors and the Internal Audit Department.
 - The Company shall not treat unfairly any person who reports under the second item in the preceding paragraph (i) or any person who reports according to Daiichi Sankyo Group Principles of Individual Behavior, etc. because of the fact of such reporting.
 - The Company shall bear expenses that may be occurred in executing the duties of the Members of the Audit & Supervisory Board.

2. Basic Policies about and Systems for Eliminating Antisocial Forces

The Daiichi Sankyo Group's basic ideas about and systems for eliminating antisocial forces are set in its basic policy on establishing internal control structure as follows.

The Company shall take a firm stance toward antisocial forces and organizations that threaten the order and safety of civil society. To prevent antisocial forces and organizations from being involved in the Company's management activities and to stop such forces and organizations from harming the Company, the Company shall stipulate, as its basic policy, in the Daiichi Sankyo Group Corporate Conduct Charter, etc. that it shall thoroughly forbid relations with antisocial forces and organizations. In addition, the Company shall establish an organizational structure to that end, and strive to eliminate relations with antisocial forces and organizations through means such as collecting information in cooperation with the police and other bodies, and conducting activities to train Members of the Board and other Officers, and employees.

V. Others

1. Matters Related to Defense against Takeovers

Adoption of takeover defense measures	No
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Supplementary explanation related to applicable items

The Company believes that it is the shareholders to decide whether or not to respond to any moves toward large-scale acquisition of Company stock. The Company does not deny the potentially significant impact that transfers of management control may have in terms of stimulating business enterprise. In line with this thinking, the Company has not prepared any specific takeover defenses.

Nonetheless, the Company would consider it a self-evident duty of the Company management to oppose any takeover plans whose aims were generally considered inappropriate (such as schemes to ramp up the share price) or that would otherwise be deemed detrimental to the value of the Company or the mutual interests of shareholders. Accordingly, the Company will continue monitoring closely share transactions and changes in shareholders. In the event any moves toward large-scale acquisition of Company stock are noticed, the Company would evaluate any takeover proposal with outside experts and determine carefully the impact of such on the value of the Company and the mutual interests of shareholders. If any proposal were deemed detrimental to such interests, the Company would institute appropriate anti-takeover measures in response to individual cases.

2. Overview of Timely Disclosure System

The Company's basic policy concerning disclosure of information related to the Company or group companies is to make disclosures to shareholders and other investors in a timely, appropriate and proactive way based on laws and regulations, the regulations of the stock exchange, and internal company regulations relating to information management and disclosure (Timely Disclosure and Information Management Regulations). Through this policy, the Company strives to earn trust as a company that is highly transparent and open to the society.

1) Financial information

The information for financial statements, etc. (including quarterly financial statements) is referred to

the Board of Directors by the Finance and Accounting department . Upon resolution by the Board of Directors, the Corporate Communications Department works jointly and in consultation with the related departments to compile a disclosure proposal. The disclosure is then made upon approval by the President and CEO.

2) Information other than financial information

Information other than financial information includes those relating to matters to be decided that are reported or referred for resolution to the Board of Directors from the relevant departments and resolved at a meeting of the Board of Directors, and those related to matters occurred that are reported to the President and CEO and Corporate Communications Department from the relevant departments. Based on such resolutions or reports, the Corporate Communications Department works jointly and in consultation with the related departments to compile a disclosure proposal. The disclosure is made upon approval by the President and CEO.

3) For the purpose of conducting fair, timely and appropriate disclosure of information; the Board of Directors supervises the execution of duties by the President and CEO, Members of the Audit & Supervisory Board conduct an audit from the perspective of legitimacy and soundness, and the Internal Audit Department periodically conducts audits of the conduct of operations.

[Reference Material: Schematic Diagram]

Overview of the corporate governance structure

