

Internet Disclosure
Accompanying the CONVOCATION NOTICE OF
THE 17TH ORDINARY GENERAL MEETING OF SHAREHOLDERS
(Voluntary Disclosure)

- Criteria for Independence as Outside Directors/Audit & Supervisory Board Members
- Board Evaluation for Fiscal 2021
- Status of Audit by Audit & Supervisory Board Members for Fiscal 2021

For the Fiscal Year Ended March 31, 2022

Daiichi Sankyo Company, Limited

■ **Criteria for Independence as Outside Directors/Audit & Supervisory Board Members**

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

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

1. A Director or an Audit & Supervisory Board Member shall be determined to be independent from the Company and not to 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 Person, of the Company or its parent company, companies under the common control or its subsidiary (referring to a director other than outside director, executive/corporate 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 audit & supervisory board member 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 Person, 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 Person of the Company is a current Outside Director or Outside Audit & Supervisory Board Member in a cross-directorship arrangement with the listed company.
2. Even though a candidate for an Outside Director/Audit & Supervisory Board Member falls into any of the above, when Board of Directors or 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/Audit & Supervisory Board Members.

■ Board Evaluation for Fiscal 2021

The Company utilizes the board evaluation in order for Board of Directors and Directors themselves to assess their current status and identify issues to be addressed, continuously making efforts to improve the functions and effectiveness of its Board of Directors.

The Company has conducted board evaluation of Board of Directors every fiscal year and addressed the issues identified for improvement through the board evaluation. In the subsequent board evaluation, the Company assesses the latest status and confirms the status of improvement from the previous fiscal year.

In fiscal 2021, the Company conducted a board evaluation by a third-party organization for the first time.

<Implementation method of the board evaluation>

Targeted at all Directors and Audit & Supervisory Board Members, a questionnaire and interview by a third-party organization were conducted. The analyses thereof and results of the evaluation have been reported to the Company by the third-party organization. Board of Directors has discussed the analyses and contents of evaluation by the third-party organization, status of improvement from the previous fiscal year, issues and matters for improvement for the functions and effectiveness of Board of Directors, and improvement measures.

Implementation method of the questionnaire

The Company determined a set of questions for evaluation relating to the effectiveness of Board of Directors as a whole and the Directors themselves, taking into consideration the principle and supplementary principle associated with the general principle 4, “Roles and Responsibilities of the Board” of Japan’s Corporate Governance Code. For fiscal 2021, we added some questions based on advice from the third-party organization, and conducted the questionnaire.

The major evaluation items in the questionnaire are as follows:

- (1) Roles and responsibilities of Board of Directors
- (2) Operation of Board of Directors
- (3) Composition of Board of Directors
- (4) Functions of the Nomination Committee and the Compensation Committee
- (5) Issues and matters for improvement regarding effectiveness of Board of Directors
- (6) Resolution of issues identified in the previous fiscal year’s board evaluation, and improvement measures

Implementation method of the interview

For fiscal 2021, based on the contents of the answered questionnaire by each Director/Audit & Supervisory Board Member, individual interviews where anonymity is ensured were conducted by the third-party organization.

<Results of the board evaluation for fiscal 2021>

As the result of the Board Evaluation for fiscal 2021, the third-party concluded that in terms of its roles, responsibilities, operation and composition, Board of Directors of the Company, as well as the Nomination Committee and the Compensation Committee, which are advisory bodies to Board of Directors, are functioning appropriately, and that the effectiveness of Board of Directors as a whole has been ensured and is functioning at a high level.

In addition, the Company confirmed that improvements are being made in (1) through (4) below, which were identified as items that need further improvement in the evaluation of the previous fiscal year, with the following efforts.

- (1) Increased efforts to aim to ensure Corporate Governance most suitable for the Company
 - The board evaluation by the third-party organization was conducted and considerations were made concerning analyses and evaluation, identifying of issues, and improvement measures for further improvement for the effectiveness of Board of Directors.
 - The optimal structure of Board of Directors of the Company were discussed mainly by the Nomination Committee, factoring into the Skill Matrix, requirements for executive personnel , and revised Corporate Governance Code.
- (2) Enhancement of Board of Directors' oversight functions for the oncology business and international business
 - Deliberation and reports concerning the oncology business and international business, as well as management on a global scale, were made.
- (3) Further enhancement of discussions at Board of Directors
 - Regarding topics such as risk management, business investments and compliance activities, appropriate materials and explanations were given to Board of Directors members as needed for full discussions.
- (4) Further enhancement of providing information to Outside Directors and Outside Audit & Supervisory Board Members for enhancing their understandings.
 - Forums for discussion other than meetings of Board of Directors were set up for multiple cases.
 - Implementation of initiatives as follows for enhancing outside executives' understanding of the Company's business: Briefing to Outside Directors and Outside Audit & Supervisory Board Members on the agenda items of each Board of Directors meeting in advance, and outside executives' attendance to the Management Executive Committee as observers.

<Priority measures for fiscal 2022>

Drawing on the evaluations of fiscal 2021, the Company endeavors to ensure and improve the functions and effectiveness of its Board of Directors. To such end, the Company will implement the following priority measures in fiscal 2022:

- (1) Enhancement of discussions on key matters at Board of Directors
 - Long-term strategies (including digital transformation and ESG), globalization, etc.
- (2) Enhancement of Board of Directors' oversight functions in terms of operation
 - Setting up forums for discussion, including occasions other than meetings of Board of Directors
- (3) Considerations for optimizing Board of Directors composition
 - Discussions on Board of Directors composition and election process

Going forward, the Company plans to conduct a board evaluation every fiscal year and conduct evaluations by a third-party organization on a regular basis.

■ Status of Audit by Audit & Supervisory Board Members for Fiscal 2021

1. Organization, personnel and procedures of the audit by Audit & Supervisory Board Members

(1) The Company is a company with an Audit & Supervisory Board, and Audit & Supervisory Board comprises of five Audit & Supervisory Board Members (two Full-time Audit & Supervisory Board Members and three Outside Audit & Supervisory Board Members), which includes one certified public accountant.

(2) Experience and Specialty of Each Audit & Supervisory Board Member

Name	Experience/Specialty
Full-time Audit & Supervisory Board Member Ryoichi Watanabe	Engaged in finance and accounting, corporate business management, corporate affairs and procurement, internal audit, etc., he is familiar with overall activities of the Company and has a broad perspective and knowledge.
Full-time Audit & Supervisory Board Member Kenji Sato	Engaged in research and development, human resources, corporate business management, etc., he is familiar with overall activities of the Company and has a broad perspective and knowledge.
Outside Audit & Supervisory Board Member Tateshi Higuchi	He has a wealth of experience and a wide range of knowledge in public administrations, developed through his experience as a police bureaucrat and diplomat.
Outside Audit & Supervisory Board Member Yukiko Imazu	She has a wealth of experience and a wide range of knowledge in overall legal affairs, developed through her experience as a lawyer.
Outside Audit & Supervisory Board Member Masako Watanabe	She has a wealth of experience and a wide range of knowledge in overall finance and accounting, developed through her experience as a certified public accountant.

(3) To further strengthen the audit functions of Audit & Supervisory Board Members, four full-time staffers, who are independent from the execution of operations, assist with the duties of Audit & Supervisory Board Members.

2. Activities of Audit & Supervisory Board and its Members

(1) Frequency of Audit & Supervisory Board meetings and meeting attendance of each Audit & Supervisory Board Member

i) During this fiscal year, the Company's Audit & Supervisory Board generally held meetings one time per month. Meeting attendance for each member is as follows:

Name	No. of Audit & Supervisory Board meetings attended/held
Ryoichi Watanabe	15/15
Kenji Sato	15/15
Tateshi Higuchi	15/15
Yukiko Imazu	15/15
Masako Watanabe	10/10

* The number of meetings attended/held for Masako Watanabe in the meetings of Audit & Supervisory Board indicates the number only to such meetings held after her assumptions of office on June 21, 2021.

ii) Aside from Audit & Supervisory Board meetings, meetings to exchange views among Audit & Supervisory Board Members are held after Board of Directors meetings.

iii) Approximately 120 minutes was devoted to Audit & Supervisory Board meetings in an average month, and 16 proposals were placed on the meeting agenda this fiscal year.

(2) [Key matters for sharing and consideration in Audit & Supervisory Board meetings]

- Audit policy, audit plans, and segregation of duties
- Audit Reports by Audit & Supervisory Board
- Consent for "Election of Audit & Supervisory Board Members" as proposals in General Meetings of Shareholders

- Revision of compensation for Audit & Supervisory Board Members
 - Evaluation of Accounting Auditors
 - Evaluation of the effectiveness of Audit & Supervisory Board
 - Internal audit plans and results thereof
 - Status of audit by Audit & Supervisory Board Members of the domestic Group companies
 - Status of execution of duties by Full-time Audit & Supervisory Board Members on a monthly basis
- (3) Activities of Audit & Supervisory Board Members
- Regular meetings with Representative Directors: Held twice a year (by Full-time/Outside Audit & Supervisory Board Members)
 - Regular meetings with chairperson of Board of Directors: Held once a year (by Full-time Audit & Supervisory Board Members)
 - Meetings with Directors: Held once a year (by Full-time Audit & Supervisory Board Members)
 - Attendance at important meetings: Attendance in meetings such as those of Board of Directors, Management Executive Meeting (by Full-time/Outside Audit & Supervisory Board Members), Corporate Ethics Committee and EHS Management Committee (by Full-time Audit & Supervisory Board Members)
 - Attendance at important meetings of the domestic Group companies, etc.: Acting as Part-time Audit & Supervisory Board Members of the principal domestic Group companies, attendance in meetings of bodies such as Board of Directors and Management Executive Meeting of such companies (by Full-time Audit & Supervisory Board Members)
 - Perusal of important documents: Perusal of documentation that includes approval documents, materials and minutes of important meetings (by Full-time Audit & Supervisory Board Members)
 - Interview by Audit & Supervisory Board Members: Heads of Unit, Heads of Division, Vice Presidents (department), Vice Presidents (branch), Vice Presidents (research laboratories), Directors in charge of internal control of domestic Group companies, Presidents and Heads of Internal Audit Department of overseas Group companies, etc. (by Full-time/Outside Audit & Supervisory Board Members)
 - Advice and requests at Board of Directors meetings (by Full-time/Outside Audit & Supervisory Board Members)
 - Membership of voluntary advisory committees: Observer of Nomination Committee and Compensation Committee (by Outside Audit & Supervisory Board Members)
 - Cooperation with Outside Directors: Engaging in opinion-exchange (by Outside Audit & Supervisory Board Members), Individual interviews (by Full-time Audit & Supervisory Board Member)
 - Meetings with Audit & Supervisory Board Members of domestic Group companies: Held twice a year (by Full-time Audit & Supervisory Board Members)
 - Cooperation with the Internal Audit Department: Reporting internal audit plans, results thereof and engaging in opinion-exchange, confirming audit points before internal audits, information-sharing and opinion-exchange at monthly meetings (by Full-time Audit & Supervisory Board Members), attendance of Internal Audit Department at meetings between Audit & Supervisory Board Members and Accounting Auditors (by Full-time/Outside Audit & Supervisory Board Members)
 - Cooperation with the Accounting Auditors: Receiving briefings and reports from the Accounting Auditor on matters that include the audit plan, audit/quarterly review results, results of internal control audit (J-SOX), and engaging in information-sharing and opinion-exchange on recent topics on a monthly basis (by Full-time/Outside Audit & Supervisory Board Members), consultation about Key Audit Matters (KAM) (by Full-time/Outside Audit & Supervisory Board Members)

Audit & Supervisory Board evaluation for fiscal 2021

Audit & Supervisory Board conducted Audit & Supervisory Board evaluation for fiscal 2021 to heighten its effectiveness of Audit & Supervisory Board.

<Implementation method of Audit & Supervisory Board evaluation>

Audit & Supervisory Board established a wide range of evaluation items associated with Audit & Supervisory Board effectiveness. Each Audit & Supervisory Board Member conducted a self-evaluation of Audit & Supervisory Board then discussed those matters.

<Results of the evaluation of Audit & Supervisory Board>

The evaluation has concluded that although the Company's Audit & Supervisory Board largely carries out its activities appropriately, and the effectiveness of Audit & Supervisory Board has been ensured, it was confirmed that there is room for improvement in terms of several areas including audits of implementation status of the Global Management Structure and audits of the operation status of risk management under the expanding international business. The Audit & Supervisory Board will draw on these results in terms of applying them to initiatives to be carried out for subsequent fiscal years.