

**Internet Disclosure Accompanying the CONVOCAATION NOTICE OF THE 16TH ORDINARY
GENERAL MEETING OF SHAREHOLDERS (Voluntary Disclosure)**

- Criteria for Independence as Outside Directors/Audit & Supervisory Board Members
- Board Evaluation for Fiscal 2020
- Status of Audit by Audit & Supervisory Board Members for Fiscal 2020

For the Fiscal Year Ended March 31, 2021

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 2020

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.

<Implementation method of the board evaluation>

The Company determines, as the contents and items for evaluation relating to the effectiveness of Board of Directors as a whole, the board evaluation items including the items to be evaluated by the Directors themselves in addition to the evaluation of Board of Directors as a whole with reference to the principle and supplementary principle associated with the general principle 4, “Roles and Responsibilities of the Board,” of Japan’s Corporate Governance Code.

The major evaluation items are as follows:

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

All Directors self-evaluate the above matters by selecting grades and answering free descriptions, and the analysis results and the details are reported to Board of Directors.

The latest round of self-evaluation generated quite a few candid opinions by selecting grades and using a free-description format. Based on these results, the Company has identified the issues and matters for improvement that will help improve the functions and effectiveness of Board of Directors.

<Results of the board evaluation for fiscal 2020>

The evaluation of Board of Directors for fiscal 2020 has concluded that Board of Directors of the Company is functioning appropriately in terms of its roles, responsibilities, operation and composition, and that the effectiveness of Board of Directors as a whole has been ensured.

In addition, the Company confirmed that improvements are being made in (1) through (5) below, which were identified as items that need further improvement in the evaluation of the previous fiscal year, with the following efforts.

- (1) Further enhancement of Board of Directors’ decision-making and oversight functions, as well as monitoring and risk management functions
 - The oversight functions were strengthened with an Outside Director assuming the chairperson of Board of Directors in June 2020, etc.
 - KPIs for materiality (key issues) were fully discussed and resolved at Board of Directors meetings.
 - Lessons learned from business investment and R&D investment cases were reported to Board of Directors.
- (2) Enhancement of discussions involving the fifth medium-term business plan
 - Toward the formulation of the fifth medium-term business plan, discussions took place at Board of Directors meetings and at briefing sessions for Outside Directors and Outside Audit & Supervisory Board Members (six times in total).
- (3) Preparation of sufficient proposal and report content as needed for discussion and decision-making materials
 - Regarding the Company’s business monthly report and other topics such as business alliances, appropriate materials and explanations were given to Board of Directors members as needed for full discussions.

- (4) Further increase in time allotted for deliberation, discussion, and question and answer sessions
 - Inquiries and comments from preparatory meetings with outside executives were shared with presenters in advance and appropriate time allocation were ensured for each agenda item, which have contributed to the enhancement of deliberation, discussion, and question and answer sessions in Board of Directors meetings..
- (5) Further enhancement of providing information to Outside Directors and Outside Audit & Supervisory Board Members for enhancing their understandings.
 - Implementation of initiatives as follows for enhancing outside executives' understanding of the Company's business: Prior explanation to Outside Directors and Outside Audit & Supervisory Board Members on the agenda items of each Board of Directors meeting in advance, outside executives' attendance to the Executive Management Committee as observers, sharing Executive Management Committee's materials and news and topics about pharmaceutical industry with outside executives.

<Priority measures for fiscal 2021>

Drawing on the self-evaluations of fiscal 2020, 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 2021, with the aim of further strengthening Board of Directors' decision-making function, oversight function, monitoring, and risk management function.

- (1) Increased efforts to aim to ensure Corporate Governance most suitable for the Company
- (2) Enhancement of Board of Directors' oversight functions for the oncology business and international business
- (3) Further enhancement of discussions at Board of Directors
- (4) Further enhancement involving delivery of information in a manner that will promote understanding of Outside Directors and Outside Audit & Supervisory Board Members

In addition, the board evaluation for fiscal 2021 is scheduled to be conducted by a third-party organization.

■ Status of Audit by Audit & Supervisory Board Members for Fiscal 2020

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 Sayoko Izumoto	She has expertise and insight based on her abundant experience as a certified public accountant.
Outside Audit & Supervisory Board Member Tateshi Higuchi	He has expertise and insight based on his experience in government agencies, etc.
Outside Audit & Supervisory Board Member Yukiko Imazu	She has expertise and insight based on her abundant experience as a lawyer.

(3) To strengthen the audit functions of Audit & Supervisory Board Members, three 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	13/13
Kenji Sato	13/13
Sayoko Izumoto	13/13
Tateshi Higuchi	13/13
Yukiko Imazu	13/13

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 15 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
- 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

- Meetings with Representative Directors: Held twice a year (by Full-time/Outside Audit & Supervisory Board Members)
- Meetings with Directors: Held once a year (by Full-time/Outside Audit & Supervisory Board Members)
- Attendance in 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 in important meetings of the domestic Group companies: 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)
- Audit by Audit & Supervisory Board Members: Heads of Division, Vice Presidents (department), Vice Presidents (branch), Vice Presidents (research laboratory), Presidents of domestic Group companies, 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)
- 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 opinion-exchange, confirming audit points before starting internal audit, information-sharing and opinion-exchange at monthly meetings (by Full-time Audit & Supervisory Board Members), attendance of Internal Audit Department at Audit & Supervisory Board Members and Accounting Auditors meetings (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 2020

Audit & Supervisory Board conducted Audit & Supervisory Board evaluation for fiscal 2020 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 overseas Group companies. Audit & Supervisory Board will draw on these results in terms of applying them to initiatives to be carried out for subsequent fiscal years.