

## To Our Shareholders

June 15, 2018

|                          |  |
|--------------------------|--|
| Listed Company Name:     | Eisai Co., Ltd.  |
| Representative:          | Haruo Naito<br>Representative Corporate<br>Officer and CEO                   |
| Securities Code:         | 4523   |
| Stock Exchange Listings: | First Section of the Tokyo<br>Stock Exchange                                 |
| Inquiries:               | Masatomi Akana<br>Vice President, Corporate Affairs<br>Phone +81-3-3817-5120 |

### Correction to “Notice of Convocation of the 106th Ordinary General Meeting of Shareholders”

Eisai Co., Ltd. would like to make the following correction to the “Notice of Convocation of the 106th Ordinary General Meeting of Shareholders” published on Eisai’s corporate website (<https://www.eisai.com>) on May 23, 2018. The corrected version is published on the corporate website.

#### 1. Material to be corrected:

(Page 23) The number of meetings of the Compensation Committee held and attended within the table of attendance for candidate 7, Bruce Aronson.

#### 2. Correction: \*corrected part is underlined

|            |                        |      |                |
|------------|------------------------|------|----------------|
| (Original) | Compensation Committee | 100% | ( <u>6/6</u> ) |
|------------|------------------------|------|----------------|

|              |                        |      |                |
|--------------|------------------------|------|----------------|
| (Correction) | Compensation Committee | 100% | ( <u>7/7</u> ) |
|--------------|------------------------|------|----------------|

\*\*\*



Securities Code: 4523

May 23, 2018

*hvc*  
human health care

# Notice of Convocation of the **106**th Ordinary General Meeting of Shareholders



June 20, 2018 (Wednesday)  
10 A.M. (Reception opens at 9 A.M.)



Bellesalle Takadanobaba

## Resolutions

Proposal: Appointment of 11 Directors

**Deadline for exercising voting rights by postal mail or via the Internet**  
5 P.M. on June 19, 2018 (Tuesday)

Eisai Co., Ltd.



Eisai supports the WHO's lymphatic filariasis  
elimination program.

## To Our Shareholders

You are cordially invited to attend the 106th Ordinary General Meeting of Shareholders of Eisai Co., Ltd. to be held as described on the next page.

Our Corporate Philosophy is to give first thought to patients and their families, and increase the benefits that health care provides them. Under this philosophy, the Company endeavors to become a *human health care (hhc)* company.

In recent years, initiatives for enhancing a company's non-financial value—with a focus on environmental, social and governance (ESG) efforts—are attracting the attention of many stakeholders as an important theme for the company's sustainable growth. As Eisai expands its business based on the *hhc* philosophy, Eisai has been strengthening its ESG initiatives, such as reducing the burden on the global environment (environmental effort), improving access to medicine (social effort) and ensuring fairness and transparency of management (governance effort). We position these efforts as being consistent with the Sustainable Development Goals (SDGs) advocated by the United Nations.

Based on our *human health care* philosophy, we will continue to aim for the sustainable enhancement of corporate value. We ask our shareholders for their ongoing support and cooperation going forward.

May 2018

Representative Corporate Officer and CEO



### Corporate Philosophy

**We give first thought to patients and their families, and increase the benefits that health care provides to them**



*human health care*

The Philosophy Logomark combines the spirit of Florence Nightingale (1820-1910), who made an enormous contribution to the development of the nursing profession and public health, with the "*human health care*" philosophy. This logomark is modeled on the signature of this prominent figure in the history of modern-day nursing.



# Notice of Convocation of the 106th Ordinary General Meeting of Shareholders

**Date and Time** **June 20, 2018 (Wednesday) 10 A.M.**  
Reception opens at 9 A.M.

**Venue** **3-8-2 Okubo, Shinjuku-ku, Tokyo**  
**Bellesalle Takadanobaba**

## Purpose of the meeting

- Reports**
1. The contents of the business report, consolidated financial statements, and audits of the consolidated financial statements conducted by the Accounting Auditor and the Audit Committee for the 106th Fiscal Year (from April 1, 2017, to March 31, 2018)
  2. The content of the financial statements for the 106th Fiscal Year (from April 1, 2017, to March 31, 2018)

**Resolutions Proposal: Appointment of 11 Directors**

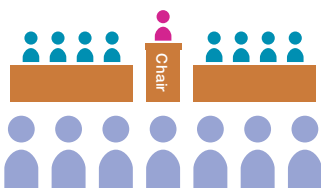
▶ See pages 9 through 33.

## Guide to exercising voting rights

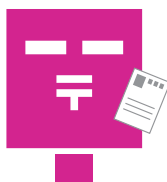
Shareholders **attending** the meeting in person

Shareholders **not attending** the meeting in person

① Exercising voting rights by attendance



② Exercising voting rights by postal mail



③ Exercising voting rights via the Internet



- Any changes that may arise in the Reference Documents for the 106th Ordinary General Meeting of Shareholders and Attachments to the Notice of Convocation will be published on the Company's website. The Japanese and English versions of this Notice of Convocation are posted on the Company's website.



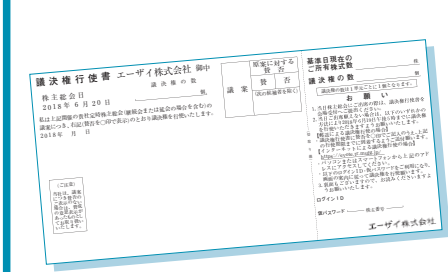
The Company's website

<https://www.eisai.com/ir/stock/meeting/index.html>

Eisai Ordinary General Meeting of Shareholders

Search

# Contents



## 9 Reference Documents



(Attachments)

## 34

### Business Report for the 106th Fiscal Year

#### I. Current Status of the Group

|   |     |
|---|-----|
| 1 Management Policy .....   | 34  |
| 1. Corporate Philosophy .....   | 34  |
| 2. Business to Be Addressed .....   | 36  |
| 3. Basic Policy for Capital Strategy .....  | 41  |
| 4. Dividends .....  | 41  |
| 5. Corporate Governance .....   | 42  |
| 6. Utilization of Human Assets .....  | 74  |
| 7. Consideration for the Environment ...  | 77  |
| 8. Ties with Shareholders and<br>Investors .....                                      | 80  |
| 9. Ties with People throughout<br>Society .....                                       | 82  |
| 2 Business Progress and Results .....   | 83  |
| 1. Consolidated Performance<br>(International Financial Reporting<br>Standards) ..... | 83  |
| 2. Financial Position and Profit/<br>Loss Status .....                                | 89  |
| 3. Major R&D Pipeline .....   | 90  |
| 4. Major Topics .....   | 96  |
| 3 Risk Factors .....  | 98  |
| 4 Status of Major Contracts .....   | 100 |
| 5 Status of Major Subsidiaries .....  | 103 |
| 6 Major Affiliated Companies and<br>Sites .....                                       | 104 |
| 7 Other Significant Items .....   | 104 |

#### II. Status of Shares and Stock Acquisition Rights

|  |     |
|--|-----|
| 1 Status of Shares .....                 | 105 |
| 2 Stock Price Trends .....               | 108 |
| 3 Status of Stock Acquisition Rights ... | 109 |

#### III. Status of Officers

|   |     |
|---|-----|
| 1 Items Pertaining to Directors.....              | 112 |
| 2 Items Pertaining to Corporate<br>Officers ..... | 114 |

#### IV. Status of Accounting Auditor ...116

#### V. Policy for Protection of the Company's Corporate Value and Common Interests of Shareholders

|   |     |
|---|-----|
| 1 Policy for Protection of the Company's<br>Corporate Value and Common Interests<br>of Shareholders ..... | 118 |
| 2 Details of the Policy .....   | 122 |

### Editorial Policy

This Notice of Convocation has been edited in a manner that makes the reference documents of the proposals for resolution, the Company's business strategies, and ESG (the environment, society, and governance) information eye-friendly and easy to read and understand for all shareholders.

(Attachments)



## Consolidated Financial Statements for the 106th Fiscal Year

## Financial Statements for the 106th Fiscal Year

## Audit Reports

## 153 Appendix

|   |            |
|---|------------|
| Articles of Incorporation .....   | 153        |
| Corporate Governance Guidelines.....  | 157        |
| Rules Concerning Items Necessary for the<br>Performance of Duties by the Audit Committee ...                                      | 164        |
| Rules for Preparing Necessary Systems for<br>Ensuring the Suitability in the Performance of<br>Duties by Corporate Officers ..... | 166        |
| <b>Q&amp;A Frequently Asked Questions .....</b>   | <b>169</b> |
| Index .....   | 177        |
| Major Consumer Healthcare Products .....  | 180        |
| About the Website .....   | 184        |

## 169



## Frequently Asked Questions

- Q How was Eisai's Q performance in FY2017?
- Q What was the impact of foreign exchange rates?
- Q What is the situation regarding shareholder returns?
- Q Is the medium-term business plan "EWAY 2025" progressing smoothly?
- Q Please tell us about the status of development of the next-generation anti-Alzheimer's agent.
- Q Please tell us about the strategic alliance with Merck & Co., Inc. (U.S.A.) in the oncology area.
- Q Please tell us about efforts related to dementia.
- Q Please tell us about efforts related to ESG.
- Q Please tell us about the problem of access to medicines.
- Q Is Eisai proactively promoting active participation by women?
- Q Please tell us about efforts toward work-style reforms.
- Q How does Eisai implement corporate governance?
- Q Please tell us about the system of checking to prevent improprieties.
- Q How do outside directors function in regard to Eisai's corporate governance?
- Q Should not the Company's outside directors be people familiar with the pharmaceuticals industry?
- Q Please tell us about the diversity of the outside directors.
- Q Please tell us about the "Policy for Protection of the Company's Corporate Value and Common Interests of Shareholders."

Notice of Convocation

Reference Documents

Business Report

Consolidated Financial  
Statements

Financial Statements

Audit Reports

Appendix

**This Page Intentionally Left Blank**

**This Page Intentionally Left Blank**



**This Page Intentionally Left Blank**

**This Page Intentionally Left Blank**

**This Page Intentionally Left Blank**

# The 106th Ordinary General Meeting of Shareholders

## Reference Documents

Proposal: Appointment of 11 Directors ..... 9

### Proposal: Appointment of 11 Directors

The terms of office of all 11 current directors will expire as of the close of this Ordinary General Meeting of Shareholders. Shareholders are therefore requested to elect 11 directors.

The following is a list of the candidates for the position of director. For your reference, information about each of the candidates is provided on pages 10 through 33.

The Company is a company with a nomination committee, etc., system. The Nomination Committee determines director candidates.

The emphasis of the Nomination Committee is that management oversight be carried out by the Board of Directors from a multifaceted perspective and with great insight. Each year, it looks into the composition and number of board members from a medium- to long-term perspective, and reviews the diversity of each director in terms of expertise, experience and other aspects. Based on these assessments, the Committee narrows down the large field of director candidates - and in the case of outside director candidates, deliberates on their independence and neutrality - to select the final group of candidates to be recommended for appointment as director.

| Candidate | Name            |   | Current position and primary area of responsibility in the Company  |
|-----------|-----------------|---|---|
| 1         | Haruo Naito     | Reappointment                           | Director, Representative Corporate Officer and CEO  |
| 2         | Noboru Naoe     | Reappointment                           | Director ● Member of the Audit Committee  |
| 3         | Yasuhiko Katoh  | Reappointment<br>Outside<br>Independent | Director ● Member of the Nomination Committee<br>● Chair of the Compensation Committee<br>● Member of the Independent Committee of Outside Directors  |
| 4         | Hirokazu Kanai  | Reappointment                           | Director ● Member of the Audit Committee  |
| 5         | Tamaki Kakizaki | Reappointment<br>Outside<br>Independent | Director ● Member of the Audit Committee<br>● Member of the Independent Committee of Outside Directors  |
| 6         | Daiken Tsunoda  | Reappointment<br>Outside<br>Independent | Director ● Member of the Audit Committee<br>● Chair of the Independent Committee of Outside Directors   |
| 7         | Bruce Aronson   | Reappointment<br>Outside<br>Independent | Director ● Member of the Nomination Committee<br>● Member of the Compensation Committee<br>● Member of the Independent Committee of Outside Directors |
| 8         | Yutaka Tsuchiya | Reappointment                           | Director  |
| 9         | Shuzo Kaihori   | New<br>Outside<br>Independent           | New director candidate  |
| 10        | Ryuichi Murata  | New<br>Outside<br>Independent           | New director candidate  |
| 11        | Hideyo Uchiyama | New<br>Outside<br>Independent           | New director candidate  |

(Note) Only Candidate 1 is serving as an executive director.

**Reappointment**  
Director candidate for reappointment

**New**  
New director candidate

**Outside**  
Outside director candidate

**Independent**  
Independent officer for notification to stock exchanges

Candidate

# 1 Haruo Naito

**Current position and primary area of responsibility in the Company**  
 Director, Representative Corporate Officer and CEO

Reappointment

**Date of birth (age)** \* as of June 20, 2018  
 December 27, 1947 (70 years of age)

**No. of years served as a director**  
 \* as of the close of this Ordinary General Meeting of Shareholders 35

**No. of the Company's shares held by the candidate**  
 \* as of March 31, 2018 634,076



- **Special conflicts of interest between the candidate and the Company or any of its subsidiaries, associated companies, or major business partners:** Yes\*
- **Vote on the “Policy for Protection of the Company’s Corporate Value and Common Interests of Shareholders”:** For
- ▶ See pages 118 through 132 for the “Policy for Protection of the Company’s Corporate Value and Common Interests of Shareholders.”

\* Haruo Naito serves as the chair of the Naito Foundation, to which the Company makes donations. The purpose of the Foundation is to promote basic research in natural sciences related to the prevention and treatment of human diseases and thereby contribute to academic promotion and human welfare. Accordingly, the Board of Directors has deemed these donations to be appropriate transactions that invest in the purpose of the Foundation and granted their approval. In addition, Haruo Naito does not receive any remuneration whatsoever from the Naito Foundation, and the Foundation does not employ any of his close relatives as officers or employees.

## Reasons for nomination as a director candidate

The Nomination Committee has determined that the candidate has appropriately explained resolution items and report items in meetings of the Board of Directors as the only director with concurrent duties as a corporate officer and has sufficiently fulfilled the role of overseeing important management decisions and the execution of business, and has nominated the candidate to continue from the previous year serving as a director.

The Company's corporate governance guidelines call for the Representative Corporate Officer and CEO to serve concurrently as a director.

## Dear Shareholders,

In the previous fiscal year, we undertook 2 partnership initiatives that enabled Eisai to make major progress toward achievement of the targets of the Medium-Term Business Plan “EWAY 2025.” One was the initiative with U.S. Merck for our in-house discovered and developed anticancer agent Lenvima, which will greatly expand the potential of the agent, and will also contribute to enhancing the Company’s financial standing. The other was expansion of the initiative with Biogen regarding dementia through which the 2 companies are now collaborating on 3 strong candidates for the next-generation treatment of dementia. Our hope is that we will come one step closer to the achievement of preemptive medicine for dementia, which is a major challenge for modern society. These are efforts that will enable significant progress toward treatment of cancer and dementia—2 diseases that are of great consequence to modern society. I will do everything I can to achieve our intended goals in relation to these efforts, expand our contribution to patients around the world, and help the Company honor its responsibilities to its shareholders.



## Personal history and concurrent employment, etc.

\* The notation “(current)” is shown for positions held as officers, etc., as of May 15, 2018. The date of retirement is shown if the individual has already retired as an officer, etc.

|                  |   |
|------------------|---|
| <b>Oct. 1975</b> | Joined the Company  |
| <b>Apr. 1983</b> | Senior Director, R&D Promotion Department of the Company                            |
| <b>Jun. 1983</b> | Director of the Company   |
| <b>Apr. 1985</b> | General Manager, R&D of the Company   |
| <b>Jun. 1985</b> | Managing Director of the Company  |
| <b>Jun. 1986</b> | Representative Director and Senior Managing Director of the Company                 |
| <b>Jun. 1987</b> | Representative Director and Deputy President of the Company                         |
| <b>Apr. 1988</b> | Representative Director and President of the Company                                |
| <b>Jun. 2003</b> | Representative Director, President and Chief Executive Officer (CEO) of the Company |
| <b>Jun. 2004</b> | Director, President (Representative Corporate Officer) and CEO of the Company       |
| <b>Jan. 2006</b> | Chair, The Naito Foundation (current)   |
| <b>Jun. 2014</b> | Director, Representative Corporate Officer and CEO of the Company (current)         |

## Activity on the Board of Directors and Committees

In his capacity as Director, Representative Corporate Officer and CEO, Mr. Naito explains the details of relevant proposals that are submitted at meetings of the Board of Directors, and also provides sufficient explanations of proposals related to report items. Furthermore, he responds carefully and clearly to questions from other directors while presenting his own views as appropriate. Mr. Naito is not a member of any of the committees.

### Attendance (FY2017)

|  |             |         |
|--|-------------|---------|
| Board of Directors                         | <b>100%</b> | (10/10) |
| Nomination Committee                       | —           |         |
| Compensation Committee                     | —           |         |
| Audit Committee                            | —           |         |
| Independent Committee of Outside Directors | —           |         |

Candidate

# 2 Noboru Naoe

**Current position and primary area of responsibility in the Company**  
 Director, Member of the Audit Committee

Reappointment

**Date of birth (age)** \* as of June 20, 2018  
 February 8, 1956 (62 years of age)

**No. of years served as a director**  
 \* as of the close of this Ordinary General Meeting of Shareholders 4

**No. of the Company's shares held by the candidate**  
 \* as of March 31, 2018 19,117



- **Special conflicts of interest between the candidate and the Company or any of its subsidiaries, associated companies, or major business partners:** None
- **Vote on the “Policy for Protection of the Company’s Corporate Value and Common Interests of Shareholders”:** For
- ▶ See pages 118 through 132 for the “Policy for Protection of the Company’s Corporate Value and Common Interests of Shareholders.”

## Reasons for nomination as a director candidate

The Company’s corporate governance guidelines call for selecting inside directors who have abundant experience working within the Company to serve as members of the Audit Committee. On this point, the candidate has gained long experience and knowledge regarding sales-related business, which is the work that is closest to Eisai’s principal stakeholders: patients and consumers. Furthermore, the candidate has obtained considerable knowledge and experience related to management through his service as a corporate officer.

In addition to constructing a Board of Directors composed of diverse members with a variety of specialized knowledge and experience, etc., the Nomination Committee has considered such factors as the candidate’s (1) practical accomplishments as a director and member of the Audit Committee, (2) qualifications and capabilities as a director, (3) in-house experience, and (4) number of years in office, etc. Having determined that the candidate is capable of objectively executing his management oversight duties and is suitable as a director of the Company, the Nomination Committee has nominated the candidate to continue from the previous year serving as a director.

## Dear Shareholders,

So that we may respond to the feelings of patients, discerned from many years of experience in pharmaceutical sales, I will do my best toward enhancement of corporate value through the realization of the Company's Corporate Philosophy.

Under the Medium-Term Business Plan "EWAY 2025," Eisai sets out to become "a company that changes society by creating medicines and providing solutions." We are engaged in developing a new business model.

I believe that my role is to challenge operational divisions as well as contribute to the preparation of an environment that supports appropriate risk-taking by corporate officers through the promotion of adequate discussions at Board of Directors meetings.

I am also determined to help the Company honor its responsibilities to its shareholders by taking full consideration of shareholder and stakeholder perspectives as it works to oversee its management and make optimal decisions.

直江 登

## Personal history and concurrent employment, etc.

\* The notation "(current)" is shown for positions held as officers, etc., as of May 15, 2018. The date of retirement is shown if the individual has already retired as an officer, etc.

|                  |  |
|------------------|--|
| <b>Apr. 1978</b> | Joined the Company   |
| <b>Apr. 2005</b> | Deputy General Manager, Prescription Drug Division of the Company  |
| <b>Jun. 2005</b> | Vice President of the Company  |
| <b>Jun. 2005</b> | General Manager, Prescription Drug Division of the Company   |
| <b>Apr. 2007</b> | Deputy assignment to the Japan Business Headquarters of the Company  |
| <b>Apr. 2008</b> | General Manager, Prescription Drug Division, Japan Business Headquarters of the Company                          |
| <b>Jun. 2010</b> | Senior Group Officer of the Company  |
| <b>Apr. 2011</b> | President, Eisai Japan   |
| <b>Jun. 2011</b> | Senior Vice President of the Company   |
| <b>Apr. 2013</b> | Vice President of the Company  |
| <b>Apr. 2013</b> | Assigned to Alliance, Eisai Japan  |
| <b>Oct. 2013</b> | Deputy President, Oncology <i>hhc</i> Unit, Eisai Japan;<br>Executive Director, Strategy and Planning Department |
| <b>Jun. 2014</b> | Director of the Company (current) and Member of the Audit Committee (current)                                    |

## Activity on the Board of Directors and Committees

At meetings of the Board of Directors, Mr. Naoe utilizes his abundant experience within the Company and high level of management expertise and supervisory capabilities as he requests explanations and presents his opinions, etc., as needed. In addition, as a member of the Audit Committee, he directs the daily operation of the Management Audit Department and works to raise the quality of audit activities, in addition to explaining implemented audit activities at meetings of the Audit Committee, while also presenting his own opinions as needed.

### Attendance (FY2017)

|  |             |         |
|--|-------------|---------|
| Board of Directors                         | <b>100%</b> | (10/10) |
| Nomination Committee                       | —           |         |
| Compensation Committee                     | —           |         |
| Audit Committee                            | <b>100%</b> | (12/12) |
| Independent Committee of Outside Directors | —           |         |



Candidate

3

Yasuhiko Katoh

**Current position and primary area of responsibility in the Company**

Director, Member of the Nomination Committee,  
Chair of the Compensation Committee, and  
Member of the Independent Committee of Outside Directors

Reappointment

**Date of birth (age)** \* as of June 20, 2018

May 19, 1947 (71 years of age)

Outside

**No. of years served as a director**

\* as of the close of this Ordinary General Meeting of Shareholders

2

Independent

**No. of the Company's shares held by the candidate**

\* as of March 31, 2018

490



■ **Special conflicts of interest between the candidate and the Company or any of its subsidiaries, associated companies, or major business partners:** None

■ **Vote on the "Policy for Protection of the Company's Corporate Value and Common Interests of Shareholders":** For

▶ See pages 118 through 132 for the "Policy for Protection of the Company's Corporate Value and Common Interests of Shareholders."

**Reasons for nomination as a director candidate**

As can be seen from his personal history, the candidate has abundant experience as a manager of a global corporation in the shipping and marine industries, etc., as well as a high level of insight into management and excellent supervisory ability.

In addition to constructing a Board of Directors composed of diverse members with a variety of specialized knowledge and experience, etc., the Nomination Committee has considered such factors as the candidate's (1) practical accomplishments as a director, member of the Nomination Committee, and chair of the Compensation Committee, (2) qualifications and capabilities as a director, (3) career background, and (4) number of years in office, etc. Having determined that the candidate is capable of objectively executing his management oversight duties and is suitable as a director of the Company, the Nomination Committee has nominated the candidate to continue from the previous year serving as an outside director.

**Independence and neutrality**

The candidate has experience serving as an officer of Mitsui Engineering & Shipbuilding Co., Ltd. (currently Mitsui E&S Holdings Co., Ltd.). However, there is no transactional relationship between said company and the Company.

The Nomination Committee has confirmed that the candidate meets the conditions for outside directors stipulated by the Companies Act and the "Requirements for the Independence and Neutrality of Outside Directors" established by the Nomination Committee, and that there is no related obstacle, problem or other circumstance that would impair the candidate's ability to execute his duties as an outside director.

## Dear Shareholders,

Effective treatments and preventive measures against the diseases that affect the world's population are vital to improving quality of life, and will play even more crucial roles as society ages.

The environment surrounding the pharmaceutical industry is undergoing a sharp change. Amid such circumstances, Eisai is making proactive efforts on a daily basis to achieve the prevention, treatment and cure of dementia and cancer. These therapeutic areas of focus for the Company are diseases that humankind needs to overcome. Eisai is pushing vigorously forward to embody its *human health care (hhc)* Corporate Philosophy.

As an Eisai director, I will fulfill my responsibility toward management oversight and the further betterment of the Company's corporate governance. By doing so, I will contribute to the enhancement of the Company's corporate value. I will commit myself to meeting the expectations of stakeholders, including shareholders and patients.

加藤泰彦

## Personal history and concurrent employment, etc.

\* The notation "(current)" is shown for positions held as officers, etc., as of May 15, 2018. The date of retirement is shown if the individual has already retired as an officer, etc.

|                  |   |
|------------------|---|
| <b>Apr. 1973</b> | Joined Mitsui Engineering & Shipbuilding Co., Ltd.  |
| <b>Jun. 2001</b> | President, Mitsui Zosen Europe Ltd.   |
| <b>Apr. 2004</b> | CEO, Mitsui Babcock Energy Limited  |
| <b>Jun. 2004</b> | Director, Mitsui Engineering & Shipbuilding Co., Ltd., assigned to Mitsui Babcock Energy Limited (stationed in the United Kingdom)  |
| <b>Dec. 2006</b> | Director, Mitsui Engineering & Shipbuilding Co., Ltd., assigned to Special Mission by President   |
| <b>Jun. 2007</b> | Representative Director and President, Mitsui Engineering & Shipbuilding Co., Ltd.  |
| <b>Jun. 2013</b> | Chairman and Representative Director, Mitsui Engineering & Shipbuilding Co., Ltd.   |
| <b>Jun. 2016</b> | Director of the Company (current), Member of the Nomination Committee (current), Member of the Independent Committee of Outside Directors (current), and Member of the Compensation Committee |
| <b>Apr. 2017</b> | Director and Senior Advisor, Mitsui Engineering & Shipbuilding Co., Ltd.  |
| <b>Jun. 2017</b> | Chair of the Compensation Committee of the Company (current)  |
| <b>Jun. 2017</b> | Senior Advisor, Mitsui Engineering & Shipbuilding Co., Ltd. (currently Mitsui E&S Holdings Co., Ltd.) (current)   |

## Activity on the Board of Directors and Committees

At meetings of the Board of Directors, Mr. Katoh utilizes his abundant experience and knowledge as a corporate manager and his high level of management expertise and supervisory capabilities as he requests explanations and presents his opinions, etc., as needed. In addition, as the chair of the Compensation Committee, he directs the secretariat of the Committee, makes preparations for meetings of the Committee and presides over the proceedings of the Committee. He reports to the Board of Directors on the results of the proceedings and responds to questions and comments at meetings of the Board of Directors. As a member of the Nomination Committee, he presents a variety of proposals to the Committee, responds to questions from other Committee members, requests explanations regarding the opinions of other members, and presents his own opinions as needed.

### Attendance (FY2017)

|  |             |         |
|--|-------------|---------|
| Board of Directors                         | <b>100%</b> | (10/10) |
| Nomination Committee                       | <b>100%</b> | (7/7)   |
| Compensation Committee                     | <b>100%</b> | (9/9)   |
| Audit Committee                            | —           |         |
| Independent Committee of Outside Directors | <b>100%</b> | (5/5)   |

Candidate

4

Hirokazu Kanai

Current position and primary area of responsibility in the Company  
 Director, Member of the Audit Committee

Reappointment

Date of birth (age) \* as of June 20, 2018  
 January 28, 1960 (58 years of age)

No. of years served as a director  
 \* as of the close of this Ordinary General Meeting of Shareholders 2

No. of the Company's shares held by the candidate  
 \* as of March 31, 2018 10,305



- Special conflicts of interest between the candidate and the Company or any of its subsidiaries, associated companies, or major business partners: **None**
- Vote on the "Policy for Protection of the Company's Corporate Value and Common Interests of Shareholders": **For**
- ▶ See pages 118 through 132 for the "Policy for Protection of the Company's Corporate Value and Common Interests of Shareholders."

### Reasons for nomination as a director candidate

The Company's corporate governance guidelines call for selecting inside directors who have abundant experience working within the Company to serve as members of the Audit Committee. On this point, the candidate has obtained considerable knowledge and experience through his work related to accounting and finance, as well as his service as a group officer.

In addition to constructing a Board of Directors composed of diverse members with a variety of specialized knowledge and experience, etc., the Nomination Committee has considered such factors as the candidate's (1) practical accomplishments as a director and member of the Audit Committee, (2) qualifications and capabilities as a director, (3) in-house experience, and (4) number of years in office, etc. Having determined that the candidate is capable of objectively executing his management oversight duties and is suitable as a director of the Company, the Nomination Committee has nominated the candidate to continue from the previous year serving as a director.

## Dear Shareholders,

As a director independent of the execution of the Company's business, and as a member of the Audit Committee, I will make fair judgments at all times, help lead the Company in an even better trajectory, and contribute to the enhancement of the Company's corporate value.

Eisai has important strategic partnerships in the areas of dementia and oncology. With a focus on these areas, the Company is forging ahead to develop a new business model. It is at a truly major turning point.

I believe that amid such circumstances, it is important to take appropriate risks to achieve sustainable growth, while, at the same time, avoiding taking excessive risks and controlling risks to prevent scandals. Maintaining a good balance in the implementation of such matters is of importance. I will especially devote my efforts to careful oversight and supervision to ensure that the mechanism (internal control) for securing the appropriateness of operations is properly in place and operation.

金井 宏一

## Personal history and concurrent employment, etc.

\* The notation "(current)" is shown for positions held as officers, etc., as of May 15, 2018. The date of retirement is shown if the individual has already retired as an officer, etc.

|                  |  |
|------------------|--|
| <b>Apr. 1983</b> | Joined the Company   |
| <b>Apr. 2003</b> | Manager, Accounting Division of the Company  |
| <b>Jun. 2006</b> | Administrator of the Company   |
| <b>Apr. 2007</b> | Manager, Finance and Accounting Division of the Company                            |
| <b>Jun. 2010</b> | Manager, Accounting Division, Finance and Accounting HQ of the Company             |
| <b>Jun. 2011</b> | Group officer of the Company   |
| <b>Jun. 2011</b> | Manager, Accounting Division of the Company  |
| <b>Jun. 2012</b> | Part-time Corporate Auditor, Sunplanet Co., Ltd. (unlisted) (retired in June 2016) |
| <b>Jun. 2016</b> | Director of the Company (current) and Member of the Audit Committee (current)      |

## Activity on the Board of Directors and Committees

At meetings of the Board of Directors, Mr. Kanai utilizes his abundant experience within the Company and high level of management expertise and supervisory capabilities as he requests explanations and presents his opinions, etc., as needed. In addition, as a member of the Audit Committee, he directs the daily operation of the Management Audit Department and works to raise the quality of audit activities, in addition to explaining implemented audit activities at meetings of the Audit Committee, while also presenting his own opinions as needed.

### Attendance (FY2017)

|  |             |         |
|--|-------------|---------|
| Board of Directors                         | <b>100%</b> | (10/10) |
| Nomination Committee                       | —           |         |
| Compensation Committee                     | —           |         |
| Audit Committee                            | <b>100%</b> | (12/12) |
| Independent Committee of Outside Directors | —           |         |

Candidate

5

Tamaki Kakizaki

**Current position and primary area of responsibility in the Company**

Director, Member of the Audit Committee and  
Member of the Independent Committee of  
Outside Directors

Reappointment

**Date of birth (age)** \* as of June 20, 2018

January 16, 1961 (57 years of age)

Outside

**No. of years served as a director**

\* as of the close of this Ordinary General Meeting of Shareholders

2

Independent

**No. of the Company's shares held by the candidate**

\* as of March 31, 2018

163



■ **Special conflicts of interest between the candidate and the Company or any of its subsidiaries, associated companies, or major business partners:** None

■ **Vote on the "Policy for Protection of the Company's Corporate Value and Common Interests of Shareholders":** For

▶ See pages 118 through 132 for the "Policy for Protection of the Company's Corporate Value and Common Interests of Shareholders."

### Reasons for nomination as a director candidate

As can be seen from her personal history, the candidate is a specialist in internal controls and internal audits. Although she has not been directly involved with management, she has experience serving as an outside director for another company, and a high level of insight into management and excellent supervisory ability thanks to an extensive research background that gives her a deep knowledge of corporate internal controls, corporate governance, and risk management.

In addition to constructing a Board of Directors composed of diverse members with a variety of specialized knowledge and experience, etc., the Nomination Committee has considered such factors as the candidate's (1) practical accomplishments as a director and member of the Audit Committee, (2) qualifications and capabilities as a director, (3) career background, and (4) number of years in office, etc. Having determined that the candidate is capable of objectively executing her management oversight duties and is suitable as a director of the Company, the Nomination Committee has nominated the candidate to continue from the previous year serving as a director.

### Independence and neutrality

The candidate serves as an outside corporate auditor of Mitsubishi Shokuhin Co., Ltd. Although there is a transactional relationship between said company and the Company's business handling OTC (over-the-counter) products, the transacted amount is negligible (less than 0.01% of the consolidated sales of said company). The candidate also serves as an outside corporate auditor of Japan Airport Terminal Co., Ltd. There is no steady transactional relationship between said company and the Company.

As explained above, the Nomination Committee has confirmed that the candidate meets the conditions for outside directors stipulated by the Companies Act and the "Requirements for the Independence and Neutrality of Outside Directors" established by the Nomination Committee, and that there is no related obstacle, problem or other circumstance that would impair the candidate's ability to execute her duties as an outside director.

## Dear Shareholders,

In my view, Eisai has one of the strongest corporate governance frameworks of any listed company in Japan. This structure is kept healthy and functional so that the Company can keep internalizing its oversight and supervision efforts through independent, fair, third-party involvement, and founded on tireless effort to create social value aimed at achieving its *hhc* Corporate Philosophy.

My research efforts have focused on corporate governance structures at listed companies, and specifically on internal controls and the development of compliance-related laws and regulations. As an independent outside director, I will use the insights I have gained through my research pursuits to drive the establishment of an effective internal control system and continue to fulfill my oversight and supervision duties so that the Company's management strategies—rooted in the corporate philosophy—serve to further improve its corporate value. Furthermore, I would like to continually consider the *hhc* Corporate Philosophy, taking a woman's perspective, and serve as a bridge that brings the opinions of patients and consumers to the Board of Directors.

柿崎 環

## Personal history and concurrent employment, etc.

\* The notation "(current)" is shown for positions held as officers, etc., as of May 15, 2018. The date of retirement is shown if the individual has already retired as an officer, etc.

|                  |  |
|------------------|--|
| <b>Apr. 2002</b> | Associate Professor, Faculty of Management, Atomi University   |
| <b>Apr. 2008</b> | Professor, Legal Work Post Graduate Course, Toyo University  |
| <b>Apr. 2012</b> | Professor, Graduate School of International Social Sciences, Yokohama National University  |
| <b>Apr. 2014</b> | Professor, School of Law, Meiji University (current)   |
| <b>Jun. 2016</b> | Director of the Company (current), Member of the Audit Committee (current), and Member of the Independent Committee of Outside Directors (current) |
| <b>Jun. 2016</b> | Outside Director, Mitsubishi Shokuhin Co., Ltd. (current)  |
| <b>Jun. 2017</b> | Outside Corporate Auditor, Japan Airport Terminal Co., Ltd. (current)  |

## Activity on the Board of Directors and Committees

At meetings of the Board of Directors Ms. Kakizaki utilizes her specialized knowledge regarding internal controls and internal audits as well as her high level of management expertise and oversight capabilities as she requests explanations and presents her opinions and advice as needed. Also, as a member of the Audit Committee, she formulates audit plans, requests explanations regarding the results of investigations and subsequent follow-up actions, and presents her opinions, etc., at meetings of the Audit Committee as needed.

### Attendance (FY2017)

|  |             |         |
|--|-------------|---------|
| Board of Directors                         | <b>100%</b> | (10/10) |
| Nomination Committee                       | —           |         |
| Compensation Committee                     | —           |         |
| Audit Committee                            | <b>100%</b> | (12/12) |
| Independent Committee of Outside Directors | <b>100%</b> | (5/5)   |

Candidate

6

## Daiken Tsunoda

**Current position and primary area of responsibility in the Company**

Director, Member of the Audit Committee and Chair of the Independent Committee of Outside Directors

Reappointment

**Date of birth (age)** \* as of June 20, 2018

January 29, 1967 (51 years of age)

Outside

**No. of years served as a director**

\* as of the close of this Ordinary General Meeting of Shareholders

2

Independent

**No. of the Company's shares held by the candidate**

\* as of March 31, 2018

0



■ **Special conflicts of interest between the candidate and the Company or any of its subsidiaries, associated companies, or major business partners:** None

■ **Vote on the “Policy for Protection of the Company’s Corporate Value and Common Interests of Shareholders”:** For

► See pages 118 through 132 for the “Policy for Protection of the Company’s Corporate Value and Common Interests of Shareholders.”

### Reasons for nomination as a director candidate

As can be seen from his personal history, the candidate is a legal expert and a specialist in the Companies Act. Although he has not been directly involved with management, he has served as an outside director for other companies and has rich experience related to corporate law, giving him a high level of insight into management and excellent supervisory ability.

In addition to constructing a Board of Directors composed of diverse members with a variety of specialized knowledge and experience, etc., the Nomination Committee has considered such factors as the candidate’s (1) practical accomplishments as a director and member of the Audit Committee, (2) qualifications and capabilities as a director, (3) career background, and (4) number of years in office, etc. Having determined that the candidate is capable of objectively executing his management oversight duties and is suitable as a director of the Company, the Nomination Committee has nominated the candidate to continue from the previous year serving as a director.

### Independence and neutrality

The candidate is also a partner at Nakamura, Tsunoda & Matsumoto. Although there was a history of the payment of consultancy fees, etc., between said law firm and the Company, the amount was negligible (no more than ¥3 million per year over the past 5 years). Note that there was no history of any such payment since FY2016.

In addition to this Company, the candidate currently serves as an outside officer at 4 other companies (1 of which is a listed company). Of them, MS&AD Insurance Group Holdings, Inc. has an affiliate that holds shares in the Company. However, the size of said affiliate’s holding is no more than 1% of the outstanding shares of the Company. The Company also has insurance policy transactions with an insurance company affiliated with said company. However, the value of said transactions is negligible (less than 0.01% of said insurance company’s net premium income). Meanwhile, the Company has no steady transactional relationship with the other companies—Sleep Select Co., Ltd., Culture Convenience Club Co., Ltd., and BILCOM Inc.—for which the candidate serves as an outside officer. The Nomination Committee is aware that the candidate serves as an outside officer at a number of companies and has confirmed that the candidate will be able to fully fulfill his duties as a director upon becoming the Company’s outside director.

As explained above, the Nomination Committee has confirmed that the candidate meets the conditions for outside directors stipulated by the Companies Act and the “Requirements for the Independence and Neutrality of Outside Directors” established by the Nomination Committee, and that there is no related obstacle, problem or other circumstance that would impair the candidate’s ability to execute his duties as an outside director.



## Dear Shareholders,

The Stewardship Code was revised last year, and this year, there was a revision of the Corporate Governance Code. Enhancement of the substance of corporate governance has become a very important issue. Eisai has been implementing measures for the substantive enhancement of corporate governance for nearly 20 years. I will continue to spare no effort to ensure that Eisai can remain a Japanese leader in corporate governance.

As an attorney specializing in corporate governance and other elements of the Companies Act, I have spent much of my career focusing on the kinds of initiatives that Eisai has been driving. In the 2 years since becoming an outside director, I am confident that I have been serving my role while implementing such initiatives. Going into my 3rd year and becoming one of the longest-serving active outside directors, I would like to continue contributing to the further substantive enhancement of Eisai's corporate governance while also making use of my past experience.

角田 大 晃

## Personal history and concurrent employment, etc.

\* The notation "(current)" is shown for positions held as officers, etc., as of May 15, 2018. The date of retirement is shown if the individual has already retired as an officer, etc.

|                  |  |
|------------------|--|
| <b>Apr. 1994</b> | Admitted to the Tokyo Bar Association<br>Attorney, Mori Sogo (Law Firm) (currently Mori Hamada & Matsumoto)  |
| <b>Jan. 2001</b> | Partner, Mori Sogo (Law Firm)  |
| <b>Mar. 2003</b> | Founder and Partner, Nakamura & Tsunoda (Law Firm) (currently Nakamura, Tsunoda & Matsumoto) (current)   |
| <b>Jun. 2004</b> | Outside Corporate Auditor, ATLUS Co., Ltd. (retired in June 2010)  |
| <b>Sep. 2004</b> | Outside Director, Polaris Principal Finance Co., Ltd. (unlisted; currently Polaris Capital Group Co., Ltd.) (retired in June 2007)                         |
| <b>Jun. 2005</b> | Outside Corporate Auditor, INES Corporation (retired in June 2013)   |
| <b>Jul. 2007</b> | Outside Corporate Auditor, Sealy Japan Co., Ltd. (unlisted; currently Sleep Select Co., Ltd.) (current)  |
| <b>Apr. 2008</b> | Outside Corporate Auditor, Mitsui Sumitomo Insurance Group Holdings, Incorporated (currently MS&AD Insurance Group Holdings, Inc.) (retired in March 2010) |
| <b>Apr. 2008</b> | Outside Corporate Auditor, Japan Stockholders Data Service Company, Limited (retired in June 2016)   |
| <b>Apr. 2010</b> | Outside Director, MS&AD Insurance Group Holdings, Inc. (current)   |
| <b>Mar. 2012</b> | Outside Corporate Auditor, BILCOM Inc. (unlisted) (retired in March 2013)  |
| <b>Apr. 2014</b> | Outside Director, Culture Convenience Club Co., Ltd. (unlisted) (current)  |
| <b>Mar. 2015</b> | Outside Corporate Auditor, BILCOM Inc. (unlisted) (current)  |
| <b>Jun. 2016</b> | Director of the Company (current), Member of the Audit Committee (current), and Chair of the Independent Committee of Outside Directors (current)          |

## Activity on the Board of Directors and Committees

At meetings of the Board of Directors, Mr. Tsunoda utilizes his specialized knowledge as an attorney as well as his high level of management expertise and supervisory capabilities as he requests explanations and presents his opinions and advice, as appropriate. Also, as a member of the Audit Committee, he formulates audit plans, requests explanations regarding the results of investigations and subsequent follow-up actions, and presents his opinions, etc., at meetings of the Audit Committee as needed. In addition, as the chair of the Independent Committee of Outside Directors, he directs the secretariat of the Committee, makes preparations for meetings of the Committee and presides over the proceedings of the Committee. He makes reports and proposals to the Board of Directors on the results of the proceedings, and responds to questions and comments at meetings of the Board of Directors.

### Attendance (FY2017)

|  |             |         |
|--|-------------|---------|
| Board of Directors                         | <b>100%</b> | (10/10) |
| Nomination Committee                       | —           |         |
| Compensation Committee                     | —           |         |
| Audit Committee                            | <b>100%</b> | (12/12) |
| Independent Committee of Outside Directors | <b>100%</b> | (5/5)   |



Candidate

7

# Bruce Aronson

## Current position and primary area of responsibility in the Company

Director, Member of the Nomination Committee,  
Member of the Compensation Committee and  
Member of the Independent Committee of Outside Directors

Reappointment

## Date of birth (age) \* as of June 20, 2018

May 14, 1952 (66 years of age)

Outside

## No. of years served as a director

\* as of the close of this Ordinary General Meeting of Shareholders

1

Independent

## No. of the Company's shares held by the candidate

\* as of March 31, 2018

0



■ **Special conflicts of interest between the candidate and the Company or any of its subsidiaries, associated companies, or major business partners:** **None**

■ **Vote on the "Policy for Protection of the Company's Corporate Value and Common Interests of Shareholders":** **For**

▶ See pages 118 through 132 for the "Policy for Protection of the Company's Corporate Value and Common Interests of Shareholders."

## Reasons for nomination as a director candidate

As can be seen from his personal history, the candidate is a practicing attorney and a legal academic with a focus on international comparative corporate governance. Although he has not been directly involved with management, he has a high level of insight into management and excellent supervisory ability thanks to an extensive research background that gives him deep knowledge of corporate internal controls, corporate governance and risk management.

In addition to constructing a Board of Directors composed of diverse members with a variety of specialized knowledge and experience, etc., the Nomination Committee has considered such factors as the candidate's (1) practical accomplishments as a director and member of the Nomination Committee and the Compensation Committee, (2) qualifications and capabilities as a director, (3) career background, and (4) number of years in office, etc. Having determined that the candidate is capable of objectively executing his management oversight duties and is suitable as a director of the Company, the Nomination Committee has nominated the candidate to continue from the previous year serving as an outside director.

## Independence and neutrality

The candidate is not concurrently employed by any company or organization with a relationship of interest with the Company or its subsidiaries and associated companies.

The Nomination Committee has confirmed that the candidate meets the conditions for outside directors stipulated by the Companies Act and the "Requirements for the Independence and Neutrality of Outside Directors" established by the Nomination Committee, and that there is no related obstacle, problem or other circumstance that would impair the candidate's ability to execute his duties as an outside director.

## Dear Shareholders,

We are now experiencing an environment with continuing pressure for cost controls on prescription drugs in Japan, escalating expenses for research and development projects for new drugs, and ongoing globalization of prescription drug markets.

To be successful in such an environment, Eisai must continue to pursue its activities on a global scale, including partnerships with leading global pharmaceutical companies, to address societal needs for new and better drugs and to provide access to such drugs. This includes implementation of its corporate philosophy of *hbc* for global patients and improvement in corporate value for shareholders and other stakeholders, while maintaining the highest level of corporate governance and compliance among Japanese companies.

As a legal academic with a focus on comparative corporate governance and practicing attorney, and as the only non-Japanese board member at present, I intend to contribute to Eisai's fulfillment of its corporate mission, its corporate governance and performance.



## Personal history and concurrent employment, etc.

\* The notation "(current)" is shown for positions held as officers, etc., as of May 15, 2018. The date of retirement is shown if the individual has already retired as an officer, etc.

|                  |  |
|------------------|--|
| <b>Jun. 1978</b> | Foreign Associate, Nagashima Ohno & Tsunematsu (Law Firm)  |
| <b>Sep. 1983</b> | Associate, Hill, Betts & Nash LLP (Law Firm)   |
| <b>Aug. 1986</b> | Partner, Hughes Hubbard & Reed LLP (Law Firm)  |
| <b>May 2004</b>  | Visiting Associate Professor, Institute of Business Law and Comparative Law & Politics, Graduate Schools for Law and Politics, The University of Tokyo   |
| <b>Jul. 2004</b> | Professor of Law, Creighton University School of Law   |
| <b>Jun. 2010</b> | Visiting Scholar, Institute for Monetary and Economic Studies, Bank of Japan   |
| <b>Jul. 2013</b> | Professor of Law, Hitotsubashi University Graduate School of International Corporate Strategy  |
| <b>Apr. 2016</b> | Professor, Hitotsubashi University Graduate School of International Corporate Strategy   |
| <b>Jun. 2017</b> | Director of the Company (current), Member of the Nomination Committee (current), Member of the Compensation Committee (current) and Member of the Independent Committee of Outside Directors (current) |
| <b>Mar. 2018</b> | Research Associate, Japan Research Centre, SOAS University of London (current)   |
| <b>Apr. 2018</b> | Part-time lecturer (business law), Hitotsubashi University Graduate School of Law (current)  |

## Activity on the Board of Directors and Committees

At meetings of the Board of Directors, Mr. Aronson utilizes his knowledge as a legal scholar specializing in the field of corporate governance as well as his high level of management expertise and supervisory capabilities as he requests explanations and presents his opinions and advice, etc., as appropriate.

As a member of the Nomination Committee and Compensation Committee, he presents a variety of proposals at meetings of both committees, responds to questions from other Committee members, requests explanations regarding the opinions expressed by other Committee members, and presents his own opinions as appropriate.

### Attendance (FY2017)

|  |             |       |
|--|-------------|-------|
| Board of Directors                         | <b>100%</b> | (8/8) |
| Nomination Committee                       | <b>100%</b> | (6/6) |
| Compensation Committee                     | <b>100%</b> | (7/7) |
| Audit Committee                            | —           |       |
| Independent Committee of Outside Directors | <b>100%</b> | (5/5) |

\* Because Bruce Aronson was newly appointed to be a director and assumed his post at the 105th Ordinary General Meeting of Shareholders held on June 21, 2017, his attendance at meetings of the Board of Directors and committee meetings indicates attendance at meetings beginning on June 21, 2017.

Candidate

8

Yutaka Tsuchiya

Current position and primary area of responsibility in the Company  
Director

Reappointment

Date of birth (age) \* as of June 20, 2018  
June 29, 1952 (65 years of age)

No. of years served as a director

\* as of the close of this Ordinary General Meeting of Shareholders 1

No. of the Company's shares held by the candidate

\* as of March 31, 2018 34,938



- Special conflicts of interest between the candidate and the Company or any of its subsidiaries, associated companies, or major business partners: **None**
- Vote on the “Policy for Protection of the Company’s Corporate Value and Common Interests of Shareholders”: **For**
- ▶ See pages 118 through 132 for the “Policy for Protection of the Company’s Corporate Value and Common Interests of Shareholders.”

### Reasons for nomination as a director candidate

The Company aims to ensure optimum decision-making and the fairness of management through a clear separation of functions between management oversight and business execution, with the Board of Directors dedicated to management oversight. To achieve these aims, the Company appoints inside directors, who are familiar with the Company, to provide support for the practical management of the Board of Directors. In this regard, the candidate has experience working abroad and has also obtained considerable knowledge and experience through his work as well as service as a corporate officer. His work experience encompasses areas including research and development, pharmaceutical and other quality assurance, public relations, government relations, healthcare policy, China operations, and Japanese OTC product-related work.

In addition to constructing a Board of Directors composed of diverse members with a variety of specialized knowledge and experience, etc., the Nomination Committee has considered such factors as the candidate’s (1) practical accomplishments as a director, (2) qualifications and capabilities as a director, (3) in-house experience, and (4) number of years in office, etc. Having determined that the candidate is capable of objectively executing his management oversight duties and is suitable as a director of the Company, the Nomination Committee has nominated the candidate to continue from the previous year serving as a director.

## Dear Shareholders,

The environment surrounding pharmaceutical companies is undergoing major change, such as the dramatic overhaul of the drug pricing system in Japan that aims for both the maintenance of universal health insurance and the promotion of innovation. Amid such circumstances, it is essential to have a governance system that allows for swift decision-making and the execution of business through emergent strategies, while also implementing oversight that monitors risks and uncertainties during the execution of plans—that is, if the Company is to aim to be “a meaningful *hhc* company under any healthcare system.”

Building on my experience of having engaged in a wide range of duties after joining the Company, I will apply myself even further for the development of an even more effective governance system. I will do my utmost toward maximization of stakeholder value through implementation of the Corporate Philosophy.



## Personal history and concurrent employment, etc.

\* The notation “(current)” is shown for positions held as officers, etc., as of May 15, 2018. The date of retirement is shown if the individual has already retired as an officer, etc.

|                  |   |
|------------------|---|
| <b>Apr. 1975</b> | Joined the Company  |
| <b>Apr. 2001</b> | Senior Director, Clinical Research Planning Department, Clinical Research Center of the Company                 |
| <b>Oct. 2004</b> | President, Eisai Europe Ltd.  |
| <b>Jun. 2005</b> | Vice President of the Company   |
| <b>Jun. 2006</b> | Assigned to Pharmaceuticals Business, Europe of the Company   |
| <b>Mar. 2008</b> | Chairman & CEO, Eisai Europe Ltd.   |
| <b>Jul. 2009</b> | Assigned to Corporate Regulatory Compliance, Quality Assurance, Environmental and Safety Affairs of the Company |
| <b>Jul. 2009</b> | General Manager, Corporate Regulatory Compliance, Quality Assurance Headquarters of the Company                 |
| <b>Jun. 2010</b> | Senior Vice President of the Company  |
| <b>Jun. 2011</b> | Executive Vice President of the Company   |
| <b>Jun. 2011</b> | Assigned to Quality Assurance, Public Affairs of the Company  |
| <b>Jun. 2012</b> | Assigned to Quality Assurance, PR, GR of the Company  |
| <b>Jun. 2012</b> | Executive Vice President and Representative Corporate Officer of the Company                                    |
| <b>Oct. 2012</b> | Assigned to Global Product Emergency Management of the Company  |
| <b>Oct. 2012</b> | Assigned to PR, GR of the Company   |
| <b>Apr. 2013</b> | Assigned to Healthcare Policy of the Company  |
| <b>Jun. 2013</b> | Representative Corporate Officer and Deputy President of the Company  |
| <b>Apr. 2014</b> | Assigned to Global Value & Access of the Company  |
| <b>Jun. 2014</b> | Representative Corporate Officer assigned to Healthcare Policy of the Company                                   |
| <b>Dec. 2014</b> | Representative Corporate Officer, Healthcare Policy, and China Business of the Company                          |
| <b>Oct. 2015</b> | Assigned to Consumer Healthcare Business of the Company   |
| <b>Apr. 2016</b> | Assigned to <i>hhc</i> Data Creation and Japan and Asia Medical of the Company                                  |
| <b>Jun. 2017</b> | Director of the Company (current)   |

## Activity on the Board of Directors and Committees

At meetings of the Board of Directors, Mr. Tsuchiya utilizes his abundant experience within the Company and high level of knowledge of corporate governance and supervisory capabilities as he requests explanations and presents his opinions, etc., as needed. In addition, he presents proposals and provides his opinions and makes other contributions regarding corporate governance matters and the proceedings of the Board of Directors.

### Attendance (FY2017)

|  |             |       |
|--|-------------|-------|
| Board of Directors                         | <b>100%</b> | (8/8) |
| Nomination Committee                       | —           |       |
| Compensation Committee                     | —           |       |
| Audit Committee                            | —           |       |
| Independent Committee of Outside Directors | —           |       |

\* Because Yutaka Tsuchiya was newly appointed to be a director and assumed his post at the 105th Ordinary General Meeting of Shareholders held on June 21, 2017, his attendance at meetings of the Board of Directors indicates attendance at meetings beginning on June 21, 2017.

Candidate

9

Shuzo Kaihori

Current position and primary area of responsibility in the Company  
None

New

Date of birth (age) \* as of June 20, 2018  
January 31, 1948 (70 years of age)

Outside

No. of years served as a director

\* as of the close of this Ordinary General Meeting of Shareholders

0

Independent

No. of the Company's shares held by the candidate

\* as of March 31, 2018

0



■ Special conflicts of interest between the candidate and the Company or any of its subsidiaries, associated companies, or major business partners: **None**

■ Vote on the "Policy for Protection of the Company's Corporate Value and Common Interests of Shareholders": **For**

▶ See pages 118 through 132 for the "Policy for Protection of the Company's Corporate Value and Common Interests of Shareholders."

### Reasons for nomination as a director candidate

As can be seen from his personal history, the candidate has abundant experience as the top executive of a global corporation in industrial instruments and process control equipment businesses. He has a high level of insight into management as well as excellent supervisory ability.

In addition to constructing a Board of Directors composed of diverse members with a variety of specialized knowledge and career background, etc., the Nomination Committee has considered such factors as the candidate's (1) qualifications and capabilities as a director and (2) career background. Having determined that the candidate is capable of objectively executing his management oversight duties and is suitable as a director of the Company, the Nomination Committee has nominated the candidate as a new outside director.

### Independence and neutrality

The candidate has experience serving as an officer of Yokogawa Electric Corporation. Although there is a history of the payment of fees by the Company to Yokogawa Solution Service Corporation, which is a subsidiary of said company, the amount was negligible (less than 0.01% of the consolidated sales of said subsidiary).

The candidate serves as an outside director of HOYA Corporation and MIP. However, there is no steady transactional relationship between said companies and the Company.

As explained above, the Nomination Committee has confirmed that the candidate meets the conditions for outside directors stipulated by the Companies Act and the "Requirements for the Independence and Neutrality of Outside Directors" established by the Nomination Committee, and that there is no related obstacle, problem or other circumstance that would impair the candidate's ability to execute his duties as an outside director.

## Dear Shareholders,

Major changes are in progress in today's world, including the digital revolution, the widening disparity between the rich and poor, aging of the population in developed countries and population increases in newly developing nations. Amid such circumstances, I believe that *human health care (hhc)* is an unwavering corporate philosophy of Eisai that contributes to the happiness of humankind.

The business environment surrounding the pharmaceutical industry is undergoing an enormous change. Amid such circumstances, the *hhc* Corporate Philosophy states, "We give first thoughts to patients and their families. We strive to increase the benefits that healthcare provides them and we conduct our business to meet their diversified healthcare needs worldwide." It positions Eisai's business as a means to contribute to patients, their families and consumers, and I have no doubt that it is a superb foundation on which to build a new business model.

As outside director, I will leverage the knowledge cultivated through the management of a corporation in the fields of measurement, control and information to meet shareholder expectations through the enhancement of Eisai's corporate value.

海堀周造

## Personal history and concurrent employment, etc.

\* The notation "(current)" is shown for positions held as officers, etc., as of May 15, 2018. The date of retirement is shown if the individual has already retired as an officer, etc.

|                  |   |
|------------------|---|
| <b>Apr. 1973</b> | Joined Yokogawa Electric Works Ltd. (currently Yokogawa Electric Corporation)                       |
| <b>Apr. 2005</b> | Vice President, Head of IA Business Headquarters, Yokogawa Electric Corporation                     |
| <b>Apr. 2006</b> | Senior Vice President, Head of IA Business Headquarters, Yokogawa Electric Corporation              |
| <b>Jun. 2006</b> | Director and Senior Vice President, Head of IA Business Headquarters, Yokogawa Electric Corporation |
| <b>Apr. 2007</b> | President and Chief Operating Officer, Yokogawa Electric Corporation                                |
| <b>Apr. 2008</b> | President and Chief Executive Officer, Yokogawa Electric Corporation                                |
| <b>Apr. 2013</b> | Chairman and Chief Executive Officer, Yokogawa Electric Corporation                                 |
| <b>Apr. 2013</b> | Outside Director, MIP (unlisted) (current)  |
| <b>Apr. 2015</b> | Chairman, Yokogawa Electric Corporation   |
| <b>Jun. 2015</b> | Outside Director, HOYA Corporation (current)  |
| <b>Jun. 2016</b> | Director and Chairman of the Board, Yokogawa Electric Corporation (current)                         |

Candidate

# 10 Ryuichi Murata

Current position and primary area of responsibility in the Company  
None

New

Date of birth (age) \* as of June 20, 2018  
April 12, 1948 (70 years of age)

Outside

No. of years served as a director

\* as of the close of this Ordinary General Meeting of Shareholders

0

Independent

No. of the Company's shares held by the candidate

\* as of March 31, 2018

0



■ Special conflicts of interest between the candidate and the Company or any of its subsidiaries, associated companies, or major business partners: **None**

■ Vote on the "Policy for Protection of the Company's Corporate Value and Common Interests of Shareholders": **For**

▶ See pages 118 through 132 for the "Policy for Protection of the Company's Corporate Value and Common Interests of Shareholders."

## Reasons for nomination as a director candidate

As can be seen from his personal history, the candidate has abundant experience as a top executive of companies in the finance and leasing industries. He possesses a high level of insight into management and has excellent supervisory ability.

In addition to constructing a Board of Directors composed of diverse members with a variety of specialized knowledge and career background, etc., the Nomination Committee has considered such factors as the candidate's (1) qualifications and capabilities as a director and (2) career background. Having determined that the candidate is capable of objectively executing his management oversight duties and is suitable as a director of the Company, the Nomination Committee has nominated the candidate as a new outside director.

## Independence and neutrality

The candidate has experience serving as an officer of Mitsubishi UFJ Lease & Finance Company Limited. There is no transactional partnership between said company and the Company. The candidate has also served in the past as an officer of The Bank of Tokyo-Mitsubishi UFJ (currently MUFG Bank, Ltd.). However, more than 5 years have already passed since retiring in June 2009 from said position as officer and meets the Company's "Requirements for the Independence and Neutrality of Outside Directors."

The candidate serves as an outside director of Kintetsu Group Holdings Co., Ltd. Although Kinki Nippon Tourist Co., Ltd., a subsidiary of said company, has a history of transaction with the Company, the value of said transaction is negligible (less than 0.01% of the consolidated sales of said subsidiary). The candidate also serves as an outside audit & supervisory board member of Noritake Co., Limited. However, there is no transactional relationship between said company and the Company.

As explained above, the Nomination Committee has confirmed that the candidate meets the conditions for outside directors stipulated by the Companies Act and the "Requirements for the Independence and Neutrality of Outside Directors" established by the Nomination Committee, and that there is no related obstacle, problem or other circumstance that would impair the candidate's ability to execute his duties as an outside director.



## Dear Shareholders,

Steadily completing each task outlined in the Medium-Term Business Plan “EWAY 2025,” which began in 2016, and achieving sustainable enhancement of corporate value on the basis of the *hnc* philosophy—it is on these bases that we can respond to the mandate of shareholders and other stakeholders, and, at the same time, make a contribution to society and the world.

This is no easy thing in consideration of the increasingly harsh industry environment, drastically changing competitive conditions and other circumstances.

It is for these reasons that I am renewing my resolve as I assume my post.

村田隆一

## Personal history and concurrent employment, etc.

\* The notation “(current)” is shown for positions held as officers, etc., as of May 15, 2018. The date of retirement is shown if the individual has already retired as an officer, etc.

|                  |  |
|------------------|--|
| <b>Apr. 1971</b> | Joined The Mitsubishi Bank, Ltd.   |
| <b>Jan. 2006</b> | Senior Managing Director, The Bank of Tokyo-Mitsubishi UFJ, Ltd. (currently MUFG Bank, Ltd.)   |
| <b>May 2006</b>  | Deputy President, The Bank of Tokyo-Mitsubishi UFJ, Ltd.   |
| <b>May 2007</b>  | Deputy President resided in West Japan, The Bank of Tokyo-Mitsubishi UFJ, Ltd. (retired: June 2009)  |
| <b>Jun. 2009</b> | Deputy President, Mitsubishi UFJ Lease & Finance Company Limited; concurrently served as served as Executive Officer, Mitsubishi UFJ Lease & Finance Company Limited |
| <b>Jun. 2010</b> | President & CEO (Representative Director), Mitsubishi UFJ Lease & Finance Company Limited  |
| <b>Jun. 2012</b> | Chairman (Representative Director), Mitsubishi UFJ Lease & Finance Company Limited   |
| <b>Jun. 2016</b> | Audit & Supervisory Board Member (Outside), NORITAKE CO., LIMITED (current)  |
| <b>Jun. 2017</b> | External Director, Kintetsu Group Holdings Co., Ltd. (current)   |
| <b>Jun. 2017</b> | Advisor to the Board, Mitsubishi UFJ Lease & Finance Company Limited (current)   |



Candidate

11

## Hideyo Uchiyama

Current position and primary area of responsibility in the Company  
None

New

Date of birth (age) \* as of June 20, 2018  
March 30, 1953 (65 years of age)

Outside

No. of years served as a director

\* as of the close of this Ordinary General Meeting of Shareholders

0

Independent

No. of the Company's shares held by the candidate

\* as of March 31, 2018

0



■ Special conflicts of interest between the candidate and the Company or any of its subsidiaries, associated companies, or major business partners: **None**

■ Vote on the "Policy for Protection of the Company's Corporate Value and Common Interests of Shareholders": **For**

► See pages 118 through 132 for the "Policy for Protection of the Company's Corporate Value and Common Interests of Shareholders."

### Reasons for nomination as a director candidate

As can be seen from his personal history, the candidate has expertise as a certified public accountant. At the same time, he has abundant experience as the head of an audit firm and top executive of a global consulting firm. He also has a high level of insight into management as well as excellent supervisory ability.

In addition to constructing a Board of Directors composed of diverse members with a variety of specialized knowledge and career background, etc., the Nomination Committee has considered such factors as the candidate's (1) qualifications and capabilities as a director and (2) career background. Having determined that the candidate is capable of objectively executing his management oversight duties and is suitable as a director of the Company, the Nomination Committee has nominated the candidate as a new outside director.

### Independence and neutrality

The candidate has experience serving as an officer of KPMG Japan. There is no steady transactional relationship between the group companies of KPMG Japan and the Company. The candidate currently serves as an advisor of Asahi Tax Corporation. However, there is no transactional relationship between said company and the Company.

The candidate also serves as an outside audit & supervisory board member of Sompo Holdings, Inc. The Company has insurance policy transactions with an insurance company affiliated with said company. However, the value of said transactions is negligible (less than 0.01% of said insurance company's net premium income). The candidate also serves as an outside audit & supervisory board member of OMRON Corporation. However, there is no steady transactional relationship between said company and the Company. As explained above, the Nomination Committee has confirmed that the candidate meets the conditions for outside directors stipulated by the Companies Act and the "Requirements for the Independence and Neutrality of Outside Directors" established by the Nomination Committee, and that there is no related obstacle, problem or other circumstance that would impair the candidate's ability to execute his duties as an outside director.

## Dear Shareholders,

Under the *human health care* philosophy, Eisai adopts a corporate governance system that clearly separates the management oversight function and the business execution function. This is to enable a sustainable enhancement of corporate value. The Company carries out various efforts to enrich and strengthen those functions.

I believe that independent outside directors, who are in charge of this governance system, are required to monitor such efforts and activities in a fair and impartial manner, and in keeping with the viewpoint of the Company's various stakeholders. And, by doing so, ensure the system's effectiveness.

While making use of the international and domestic management experience gained at the audit firm and through the professional practice of financial auditing, I will serve my oversight and supervision duties to enable Eisai to achieve sustainable growth—through the implementation of EWAY 2025—and enhance its corporate value.

内山英世

## Personal history and concurrent employment, etc.

\* The notation "(current)" is shown for positions held as officers, etc., as of May 15, 2018. The date of retirement is shown if the individual has already retired as an officer, etc.

|                  |  |
|------------------|--|
| <b>Nov. 1975</b> | Joined Arthur Young & Company  |
| <b>Dec. 1979</b> | Joined Asahi Accounting Company (currently KPMG AZSA LLC)                  |
| <b>Mar. 1980</b> | Registered as Certified Public Accountant                                  |
| <b>Jul. 1999</b> | Representative Partner, KPMG AZSA LLC                                      |
| <b>May 2002</b>  | Board Member, KPMG AZSA LLC  |
| <b>Jun. 2006</b> | Executive Board Member, KPMG AZSA LLC                                      |
| <b>Jun. 2010</b> | Managing Partner, KPMG AZSA LLC, Chairman, KPMG Japan                      |
| <b>Sep. 2011</b> | Chairman, KPMG Asia Pacific  |
| <b>Oct. 2013</b> | CEO, KPMG Japan (retired: June 2015)                                       |
| <b>Sep. 2015</b> | Executive Advisor, ASAHI Tax Corporation (current)                         |
| <b>Jun. 2016</b> | Audit & Supervisory Board Member (Outside), OMRON Corporation (current)    |
| <b>Jun. 2017</b> | Audit & Supervisory Board Member (Outside), Sampo Holdings, Inc. (current) |

### ● Ensuring the Independence and Neutrality of Outside Directors

Outside director candidates nominated by the Company's Nomination Committee satisfy the "Requirements for the Independence and Neutrality" set forth by the Nomination Committee. (Please see the page to the right for details on these requirements.)

In regard to outside director candidates, the Nomination Committee has determined the "independence and neutrality" of each candidate by checking matters related to the requirements based on interviews of the individuals in question as well as investigations of the transactional relationships between the Company and the companies and organizations with which they are affiliated. In addition, the Nomination Committee has selected candidates based on the selection criteria for outside directors established by the Nomination Committee.

All 7 outside director candidates fulfill the requisites for outside director candidates as specified in Article 2, Paragraph 3, Item 7, of the Ordinance for Enforcement of the Companies Act and the criteria for independent officers as established by the Tokyo Stock Exchange.

### ● Conclusion of Limitation of Liability Contracts with Director Candidates (Overview of Contract Content)

The Company has limitation of liability contracts in force with 7 candidates for re-election as director (excluding those serving as executive directors, etc.), as per Article 38, Paragraph 2, of the Company's Articles of Incorporation, which is stipulated based on Article 427 of the Companies Act.

Upon appointment at this Ordinary General Meeting of Shareholders, the Company intends to enter into said contract with the 3 new candidates for director as well.

In the event that any of the Company's directors (excluding those serving as executive directors) cause damage to the Company despite performing his/her duties in good faith and without gross negligence, the maximum liability for damages is the minimum liability amount stipulated in Article 425, Paragraph 1, of the Companies Act.

### ● Confirmation of Votes for or against the Policy for Protection of the Company's Corporate Value and Common Interests of Shareholders

According to the proposal from the Independent Committee of Outside Directors, the Board of Directors adopted a resolution on April 25, 2018, to continue the "Policy for Protection of the Company's Corporate Value and Common Interests of Shareholders" (hereinafter the Policy) after a revision thereto with respect to its effective period and the standards for acquisition subject thereto\*.

All 4 candidates for re-election as outside director voted in favor of the revised Policy at the meeting of the Independent Committee of Outside Directors held on March 30, 2018. In addition, all 4 inside director candidates voted in favor of the Policy. In regard to the 3 new outside director candidates, the circumstances that led to the Policy's adoption, characteristic mechanisms of the Policy, status of deliberations by the Independent Committee of Outside Directors, and content of the revised Policy have been duly explained, and the candidates have confirmed in favor of the Policy.

Although the Policy has been adopted by the Company, the stance of each director candidate on the Policy is listed every year in the reference documents included with the Notice of Convocation of the General Meeting of Shareholders. The mechanism is designed to enable the reflection of the opinions of shareholders.

\* See page 118 for details on the revision to the Policy.

### ● Expected Appointment of Director Candidates

The 11 director candidates are expected to assume their posts following election at this Ordinary General Meeting of Shareholders, as indicated below.

| Name            | Expected appointment and primary area of responsibility at the Company | Member of the Nomination Committee | Member of the Audit Committee | Member of the Compensation Committee | Member of the Independent Committee of Outside Directors |
|-----------------|--|------------------------------------|-------------------------------|--------------------------------------|--|
| Haruo Naito     | Director, Representative Corporate Officer and CEO                     |                                    |                               |                                      |  |
| Noboru Naoe     | Director   |                                    | Member                        |                                      |  |
| Yasuhiko Katoh  | Chair of the Board of Directors (outside)                              |                                    |                               |                                      | Member   |
| Hirokazu Kanai  | Director   |                                    | Member                        |                                      |  |
| Tamaki Kakizaki | Director (outside)   |                                    | Member                        |                                      | Member   |
| Daiken Tsunoda  | Director (outside)   |                                    | Member                        |                                      | Member   |
| Bruce Aronson   | Director (outside)   | Member                             |                               | Chair                                | Member   |
| Yutaka Tsuchiya | Director   |                                    |                               |                                      |  |
| Shuzo Kaihori   | Director (outside)   | Chair                              |                               | Member                               | Member   |
| Ryuichi Murata  | Director (outside)   | Member                             |                               | Member                               | Member   |
| Hideyo Uchiyama | Director (outside)   |                                    | Chair                         |                                      | Member   |

(Note) This list does not show the chair of the Independent Committee of Outside Directors as it will be determined through mutual vote at the meeting of the Independent Committee of Outside Directors scheduled to be held after the close of this Ordinary General Meeting of Shareholders.

## Requirements for the Independence and Neutrality of Outside Directors

Revised: Revised August 2, 2017

1. An Outside Director must neither currently be nor in the past have been an Officer (see Note 1 below) or an employee of Eisai or any of its affiliated companies ("Eisai Group").
2. An Outside Director's economic independence and neutrality from Eisai Group and specified enterprises, etc., is ensured by satisfying the following requirements:
  - 1) None of the following shall be applicable to the Outside Director within the past five years:
    - a. Having been an Officer or employee of an enterprise, etc., of a Major Business Partner (see Note 2 below) of Eisai Group, or otherwise an Officer or employee of an enterprise, etc., conducted by a Major Business Partner of Eisai Group;
    - b. Regardless of the value of the transaction, having been an Officer or employee of an enterprise, etc., with whom Eisai conducts necessary transactions, Eisai's audit corporation, or any other enterprise, etc., that has a relationship of substantive interest with Eisai Group;
    - c. Having been an Officer or employee of a person or an enterprise, etc., who is a Major Shareholder (see Note 3 below) of Eisai or of an enterprise, etc., in which Eisai Group is a Major Shareholder;
    - d. Excluding Officer compensation from Eisai Group, having directly received a Large Amount (see Note 4 below) of money or other property as a provider of professional services, etc. (i.e., a consultant, a lawyer, an accountant, etc.);
    - e. Having received a Large Amount of money or other property from Eisai Group as a contribution or having been an Officer or employee of an entity, organization, etc., that has received such a contribution; or
    - f. Having been an Officer or employee of an enterprise, etc., which enterprise, etc., had an Officer, etc., who was at the same time an Officer, etc., of Eisai Group;
  - 2) Even if more than five years has passed, the Nomination Committee must evaluate (see Note 5 below) the relationship with the enterprise, etc., in each item of the preceding clause 2(1) and determine that independence and neutrality is ensured; and
  - 3) In addition, from the perspectives of independence and neutrality, there must not be any other reason that would impede the performance of the duties as an Outside Director.
3. An Outside Director must not be a close relative of, or have a similar relationship to (see Note 6 below), or otherwise derive such person's sole livelihood through a relationship with, any of the following persons:
  - 1) An Officer or Important Employee (see Note 7 below) of Eisai Group; or
  - 2) Based on the requirements of paragraph 2 of this Article 13 above, those as determined by the Nomination Committee whose independence and neutrality from Eisai Group or from specified enterprises, etc., are not ensured.
4. An Outside Director must not have reason for the threat arising of a significant conflict of interest in the performance of the duties as a Director, and the judgment of an Outside Director must not be threatened to be affected by a relationship of interest.
5. The requirements for the independence and neutrality of Outside Directors provided in this Article continue to apply after the appointment as Director.

Note 1: "Officer" means Director, Corporate Officer, Statutory Auditor and other officers, etc.

Note 2: "Major Business Partner" means (i) an enterprise, etc., for which 2% or more of its or the Eisai Group's sales in any of the past five fiscal years have been sales, or compensation for work or transactions, to or from, as applicable, the Eisai Group, and (ii) a financial institution which has outstanding loans to the Eisai Group whose principal aggregate amount equals or exceeds 2% of the Eisai Group's consolidated total assets.

Note 3: "Major Shareholder" means a person who, or an enterprise, etc., that, directly or indirectly holds the voting rights to 10% or more of the general voting rights in any of the past five fiscal years.

Note 4: "Large Amount" means, in any of the past five fiscal years: ¥10 million in the case of remuneration for professional services or compensation for work or transactions, ¥10 million in the case of contributions, or the greater of 2% of the total income or operating income of entities or organizations receiving contributions.

Note 5: "Evaluate" means the Nomination Committee's evaluation regarding the Outside Director's relationship with the relevant enterprise, etc., based on the following factors:

- 1) Shareholding or stock options ownership in the relevant enterprise, etc.;
- 2) Post-retirement remuneration, company pension, etc., from the relevant enterprise, etc.; and
- 3) Human interaction between the Eisai Group and the relevant enterprise, etc.

Note 6: "A close relative of, or have a similar relationship to" means a relative within two degrees of kinship or having a human relationship that can be reasonably recognized as that which would impede the execution of the individual's duties as an Outside Director, such as a personally interested individual.

Note 7: "An Important Employee" means an employee with a title of at least the head of a section.

# Business Report for the 106th Fiscal Year

(From April 1, 2017, to March 31, 2018)

|  |     |
|--|-----|
| I. Current Status of the Group .....   | 34  |
| II. Status of Shares and<br>Stock Acquisition Rights .....   | 105 |
| III. Status of Officers .....  | 112 |
| IV. Status of Accounting Auditor .....   | 116 |
| V. Policy for Protection of the<br>Company's Corporate Value and<br>Common Interests of Shareholders ... | 118 |

## I. Current Status of the Group

### 1 Management Policy

#### 1. Corporate Philosophy

Executing the Company's business based on a clear understanding that patients as well as their families and consumers are the key players in health care is a part of the Articles of Incorporation as the Company's Corporate Philosophy.

##### Corporate Philosophy

**We give first thought to patients and their families, and increase the benefits that health care provides to them (From Chapter I Article 2 of the Articles of Incorporation)**

- (1) The Company's Corporate Philosophy is to give first thought to patients and their families, and to increase the benefits that health care provides to them. Under this Philosophy, the Company endeavors to become a *human health care (hhc)* company.
- (2) The Company's mission is the enhancement of patient satisfaction. The Company believes that revenues and earnings will be generated by fulfilling this mission. The Company places importance on this sequence of placing the mission before the ensuing results.
- (3) The Company strives to fulfill its social responsibilities by positioning compliance (i.e., the observance of legal and ethical standards) as the basis of all business activities.
- (4) The Company's principal stakeholders are patients, customers, shareholders and employees. The Company endeavors to develop and maintain a good relationship with stakeholders and to enhance the value of their stake through:
  1. Satisfying unmet medical needs, ensuring a stable supply of high-quality products, and providing useful information on subjects including drug safety and efficacy;
  2. Timely disclosure of corporate management information, enhancement of corporate value, and a positive return to shareholders; and
  3. Ensuring stable employment, offering challenging and fulfilling duties, and providing full opportunities for the development of employees' capabilities.

The Group calls this the "*human health care (hhc)* philosophy." We believe that it is important for each employee to first get close to patients and get a sense of their thoughts and feelings that cannot be expressed in words.

To achieve the *hhc* philosophy, we consider it important to spend time with patients (socialization). The Group recommends that all employees spend 1% of their working hours with patients (i.e., a total of about 2.5 days a year). The Company aims to achieve *hhc* on organizational and project bases, and calls the series of such implemented activities "*hhc* activities." More than 300 "*hhc* activities" are unfolded each year on a global basis. Some of the activities are introduced on the next page.

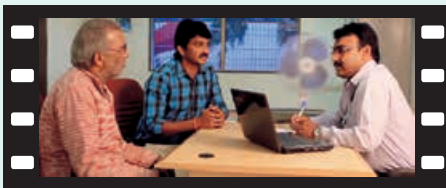
## Event to Support Persons with Dementia (Philippines)

In the Philippines, local employees visited facilities for the elderly and spent time with them. As a result, they found that persons with dementia live restricted lives and felt that they have lost the joy of living. To help persons with dementia regain vibrant lives, they collaborated with a dementia association in the Philippines to hold an event that was filled with traditional songs, old photographs, nostalgic commercials, dancing, and simple brain-training games.



Event participants enjoying dancing

## Short Video to Raise Awareness of Dementia (India)



Specialist consultation scene from the video

In India, local employees produced a short video to raise awareness of dementia, even among those who do not know how to read. The employees wrote the script based on real stories and even directed the video. It enables viewers to learn simple facts about the disease, and it includes useful information, such as that consulting a specialist when dementia is suspected can help lead to early detection.

## Campaign to Support Patients with Metastatic Breast Cancer (U.S.A.)

In the U.S.A., “#This Is MBC,” a campaign in support of patients with metastatic breast cancer (MBC), was held in collaboration with a patient support group. The campaign was triggered by interaction between local employees and patients with MBC, which made employees aware of the need to raise awareness of the disease and its treatment as well as the sense of isolation felt by patients. Social media\* were utilized to communicate, in a positive manner, the realities faced by people living with MBC. It continues to transmit content that encourages persons who have experienced cancer.

\* Internet-based social networking services, such as Facebook and Instagram.



An Instagram post made by a patient



Portable serving chopsticks

## Project to Eradicate Stomach Cancer and Peptic Ulcers (China)

In China, as a result of spending time with stomach cancer and peptic ulcer patients, local employees realized the strong desire to eradicate *Helicobacter pylori* - a cause of diseases. They engaged in efforts for the prevention of infection by *H. pylori*. A project to spread the use of serving chopsticks was launched to instill awareness of the infection. Awareness-building was carried out, with portable serving chopsticks distributed at various events centering on those held in Shanghai. A total of 2,300 people participated in the project, and it contributed to the promotion of good health in the region.



## 2. Business to Be Addressed

Significant changes are taking place in the circumstances surrounding pharmaceutical companies, including the dramatic overhaul of the drug pricing system in Japan and a global trend to contain medical costs. The Eisai Group will continue to respond to such changes in the business environment influencing the pharmaceutical industry, as it seeks to realize the steady achievement of the Medium-Term Business Plan EWAY 2025.

### (1) Medium-Term Business Plan “EWAY 2025”

Under “EWAY 2025,” which was launched in FY2016, we aim to achieve the following 3 strategic intents.

#### The 3 Strategic Intents

- (1) Aim to support patients' thought: “I do not want to get sick. I want to know if I get sick, and I want to be cured.”
- (2) Aim to support patients' thought: “I want to manage my disease in my neighborhood and safely spend the rest of my life with peace of mind.”
- (3) Focus on a business domain where “Eisai can discover Ricchi (opportunities) based on *human health care (hhc)* needs and fulfill them with Eisai innovation.”

Serving as the foundation for these strategic intents is the Group's corporate philosophy of *hhc*. The strong motivation born from spending time with patients and understanding their true needs is the source of the Group's innovation. Positioning neurology and oncology (cancer) as key therapeutic areas of focus, we will accelerate the speed of new drug discovery through strategic partnerships and new business models and seek to maximize its value.

### (2) “EWAY 2025”: Main Progress and Initiatives

#### (a) Neurology

Research and development in areas such as dementia and epilepsy are moving forward at the Neurology Business Group through a comprehensive approach taken from a patient's perspective. Alzheimer's disease/dementia is an area of greatest focus. Here, proactive development of disease-modifying drugs and new symptom-ameliorating drugs for early Alzheimer's disease is being carried out simultaneously. In October 2017, the partnership agreement with Biogen toward the development and sale of anti-Alzheimer's agents was expanded. The Company exercised its option for co-development/co-promotion of the anti-amyloid beta ( $A\beta$ ) antibody (generic name: aducanumab) under development by Biogen. Furthermore, Phase III studies for the beta amyloid cleaving enzyme (BACE) inhibitor elenbecestat (generic name) are underway. Anti- $A\beta$  protofibrils antibody BAN2401, meanwhile, is currently in a Phase II study. The final results of an 18-month intention-to-treat analysis are scheduled to become available in the latter half of 2018.

In recent years, it has been reported that first sleep disorders, then behavioral disorders, precede the occurrence of dementia's main symptom, cognitive disorder. In regard to sleep disorders, Eisai is

co-developing with Purdue Pharma the orexin receptor antagonist lemborexant (generic name). As for behavioral disorders, E2730 and E2082 aim to treat neurological disorders such as epilepsy. PDE9 inhibitor E2027 aims to improve cognitive function and peripheral symptoms in dementia patients. The Company is developing its portfolio in such ways to provide total care for dementia patients. Furthermore, research is being carried out to establish a blood test for the early detection of Alzheimer's disease.

## (b) Oncology

At the Oncology Business Group, undertakings to maximize the value of in-house developed anticancer agents Lenvima and Halaven are progressing. In March 2018, the Company reached an agreement with Merck & Co., Inc., Kenilworth, N.J., U.S.A. ("U.S. Merck"), in regard to Lenvima for a strategic oncology collaboration. The aim is to create new value for cancer patients through an innovative business model. Co-development and co-promotion of Lenvima as monotherapy and in combination with U.S. Merck's anti-PD-1 antibody Keytruda (generic name: pembrolizumab) will be conducted through this collaboration. In regard to the development of this adjunctive therapy, a past clinical trial has already suggested a significant synergistic effect between the 2 drugs. In addition to clinical trials aimed at newly obtaining 11 indications for 6 types of cancer, a basket trial, which tests the effect on a variety of tumor types in a single clinical trial, will also be conducted concurrently. What is more, the early maximization of access by patients to Lenvima will be achieved through joint medical and promotional activities between the Eisai Group, which possesses a wealth of real-world data on Lenvima, and U.S. Merck, which has a solid, highly global medical and commercial structure. In regard to the development of monotherapy for Lenvima, in March 2018, approval was obtained ahead of other countries in Japan for the indication of hepatocellular carcinoma. The Company is aiming to maximize Lenvima's value with applications already filed in the United States, Europe, China and elsewhere as well.

### Strategic Collaboration in the Oncology Field with U.S. Merck

- Companies to Jointly Develop and Commercialize LENVIMA, as Monotherapy and in Combination with Merck & Co., Inc., Kenilworth, N.J., U.S.A.'s KEYTRUDA (pembrolizumab) for Multiple Cancer Types
- Eisai Books LENVIMA Product Sales and Companies to Share Development and Marketing Costs Equally, as well as Gross Profits From LENVIMA
- LENVIMA/KEYTRUDA Combination Already Granted U.S. FDA Breakthrough Therapy Designation for Renal Cell Carcinoma; Expanded Joint Development Program to Support 11 Additional Potential Indications Across Six Other Cancer Types
- Merck & Co., Inc., Kenilworth, N.J., U.S.A.'s Strong Commercial Footprint and Medical Expertise, Combined with Eisai's Extensive Real-World Evidence for LENVIMA, Will Expedite Patient Access Worldwide for Current and Future Potential Indications

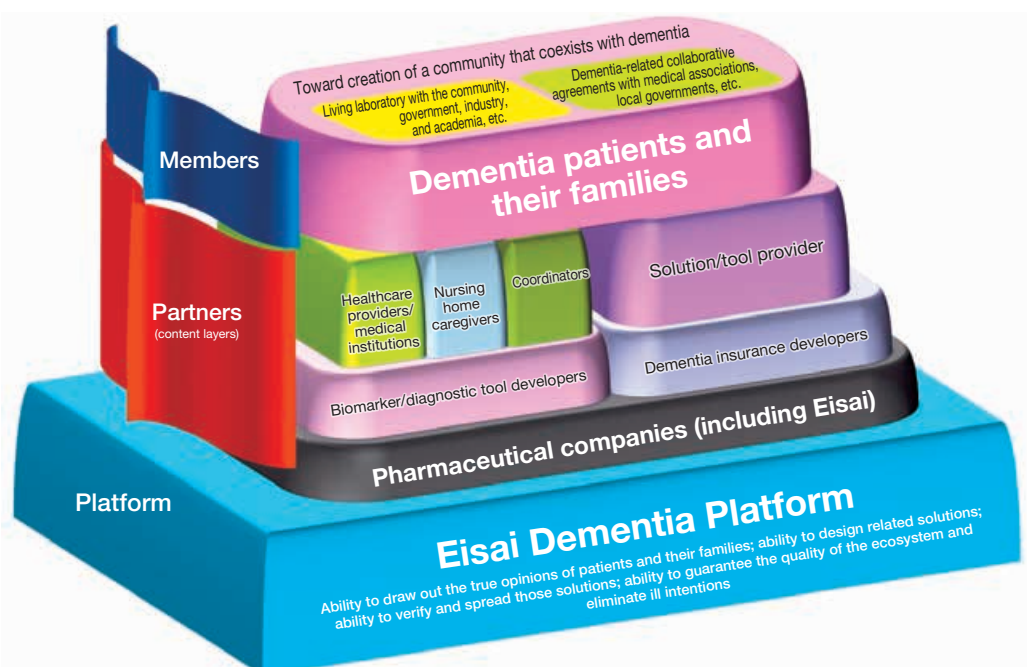


As for Halaven, clinical trials are already in progress for use in combination with Keytruda for metastatic triple-negative breast cancer. Meanwhile, MORAb-202, which is the Group's first antibody-drug conjugate that combines Halaven with farletuzumab (generic name), an anti-folate receptor alpha antibody, moved into the clinical stage. Likewise with E7130, a new middle-molecule compound which, like Halaven, resulted from the Company's halichondrin research. Additionally, there is E7386, with a new mechanism of action that acts on the tumor microenvironment. The enrichment of the Group's pipeline is progressing.

### (c) The Challenge to Develop a New Business Model

The Group is endeavoring to build a new platform business as an addition to its existing value-chain business. In the area of dementia, the Company is aiming to build an "Eisai Dementia Total Inclusive Ecosystem." Pharmaceutical companies, governments, medical institutions, nursing facilities, diagnostics development companies, IT firms, insurance companies and other partners will collaborate and build on top of the "Eisai Dementia Platform" on the basis of patient needs to provide products and services. The dementia platform will be composed of the Company's 30-plus years of experience in dementia, its expertise, various possessed data, networks, and so on. In the future, the Company will consider rolling out the ecosystem in other areas as well.

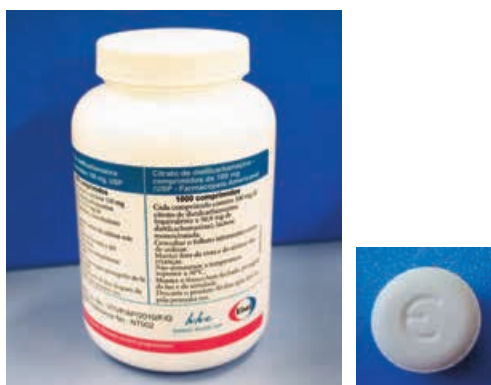
#### Eisai Dementia Total Inclusive Ecosystem



### (3) Initiatives to Improve Access to Medicines

The Group considers making efforts to resolve the global issue of access to medicines to be its duty as well as a long-term investment for the future. It is promoting such undertakings proactively under public-private partnerships with governments, international organs, private non-profit organizations and others.

To help eliminate lymphatic filariasis, a neglected tropical disease in developing and emergent nations, the Group is providing the World Health Organization (WHO) with its treatment. Diethylcarbamazine (DEC) tablets are being supplied free of charge until lymphatic filariasis is eradicated from all endemic countries that need the drug. These DEC tablets are manufactured at the Group's Vizag Plant in India. As of the end of March 2018, 1.35 billion tablets had been supplied to 27 countries. Furthermore, the Company is carrying out new drug development for other neglected tropical diseases, tuberculosis and malaria. Support is also being provided to build awareness and enable early detection of non-infectious diseases, such as dementia and cancer. Affordable pricing that makes it easier for patients to purchase medication and tiered pricing, according to income levels, are also being implemented as part of activities carried out around the world by the Company to improve access to medicines.



DEC (diethylcarbamazine) tablet



DEC tablet administration through house-to-house visits (Myanmar)

## ESG-related Activities

We believe the value of a company is a combination of financial value and non-financial value, including in the areas of the environment, society, and governance (ESG). Through business operations founded on the *hhc* philosophy, the Group has been strengthening ESG-related activities, including reduction of the global environmental load (the environment), improvement of access to medicines (society), and maintenance of fairness and transparency of management (governance). We position these activities as being consistent with the Sustainable Development Goals (SDGs). In December 2017, the Company joined the UN Global Compact (UNGC). With the ESG Promotion Department newly established in April 2018 to implement company-wide strategies and promote activities related to ESG and SDGs, we will further advance efforts to improve non-financial value.

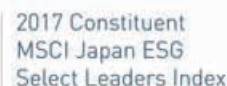
**E** (environment): The Company has been working for many years to reduce the impact on the global environment, including efforts toward the creation of a low-carbon society to help prevent global warming and a recycling-oriented society to protect the environment.

**S** (society): Main activities aimed at benefiting global society include improvement of access to medicines such as DEC (diethylcarbamazine) tablets, which the Company provides free of charge to help eradicate lymphatic filariasis, one of the neglected tropical diseases. In Japan, the Company is working with medical and nursing care experts, the national and local governments, and community residents to build communities where patients with dementia can live in harmony with others.

**G** (governance): The Company is always aiming for good corporate governance, and strives continually to achieve it. The Company has adopted a company with a nomination committee, etc., system, which clearly separates functions between management oversight and business execution. The majority of the Board of Directors is composed of independent and neutral outside directors, and the chairs of the Nomination Committee, Audit Committee, and Compensation Committee are all outside directors. The Representative Corporate Officer and CEO is the only director who is concurrently a corporate officer.

## Social Recognition

The Company is selected as a constituent of the following globally recognized socially responsible investment (SRI) indexes.



### 3. Basic Policy for Capital Strategy

Aiming to improve shareholder value, the Group's capital policy revolves around “medium- to long-term Return on Equity (ROE<sup>\*1</sup>) management,” “stable and sustainable shareholder returns,” and “value-creative investment criteria,” on a foundation of ensuring financial soundness.

#### (1) Medium- to Long-term ROE Management

The Company views ROE as an important indicator of the creation of sustained shareholder value. In terms of medium- to long-term ROE management, the Company aims for an ROE that exceeds the cost of capital (creation of a positive equity spread<sup>\*2</sup>) by improving profit margins, financial leverage and asset turnover in the medium- to long-term.

#### (2) Stable and Sustainable Shareholder Returns

In accordance with the stipulations of the Articles of Incorporation, the Company's Board of Directors returns profits to all shareholders in a stable and sustainable way based on factors such as a healthy balance sheet and comprehensive consideration of the consolidated financial results, Dividends on Equity (DOE<sup>\*3</sup>), and free cash flow, as well as taking into consideration the signaling effect. Because DOE indicates the ratio of dividends to consolidated net assets, the Company has positioned it as an indicator that reflects balance sheet management, and, consequently, capital policy. Acquisition of treasury stock will be carried out appropriately after factors such as the market environment and capital efficiency are taken into account. The Company uses the ratio of equity attributable to owners of the parent and net debt ratio as indicators to measure a healthy balance sheet.

#### (3) Value-Creative Investment in Growth

To ensure that strategic investments create shareholder value, the Company invests selectively using its Value-Creative Investment Criteria based on Net Present Value and the Internal Rate of Return spread using a risk-adjusted hurdle rate.

\*1 ROE (Profit ratio to equity attributable to owners of the parent) = Profit attributable to owners of the parent/ Equity attributable to owners of the parent

\*2 Equity spread = ROE - Cost of owners' equity

\*3 DOE (Dividend on equity attributable to owners of the parent ratio) = Total amount of dividends/ Total equity attributable to owners of the parent

#### Capital Strategy for Creating Value for Shareholders



### 4. Dividends

Based on the above basic policy aiming to provide sustainable and stable dividends to its shareholders, the Company intends to set the FY2017 year-end dividend at ¥80 per share. Combined with the interim dividend of ¥70 per share, this results in an annual dividend of ¥150 per share (same as the previous year).

## 5. Corporate Governance

### (1) Basic Approach to Corporate Governance

Always aiming for the best corporate governance, the Company strives continually to enhance it as well. The Company believes that the focus of corporate governance is to respect the rights of all our shareholders, ensure the fairness and transparency of management, and enhance corporate vitality. The Company strives to enhance corporate governance by stipulating the following basic points of view and code of conduct in its “Corporate Governance Guidelines” and implementing the Guidelines accordingly.

▶ Please refer to pages 157 through 163 for more on the Corporate Governance Guidelines.

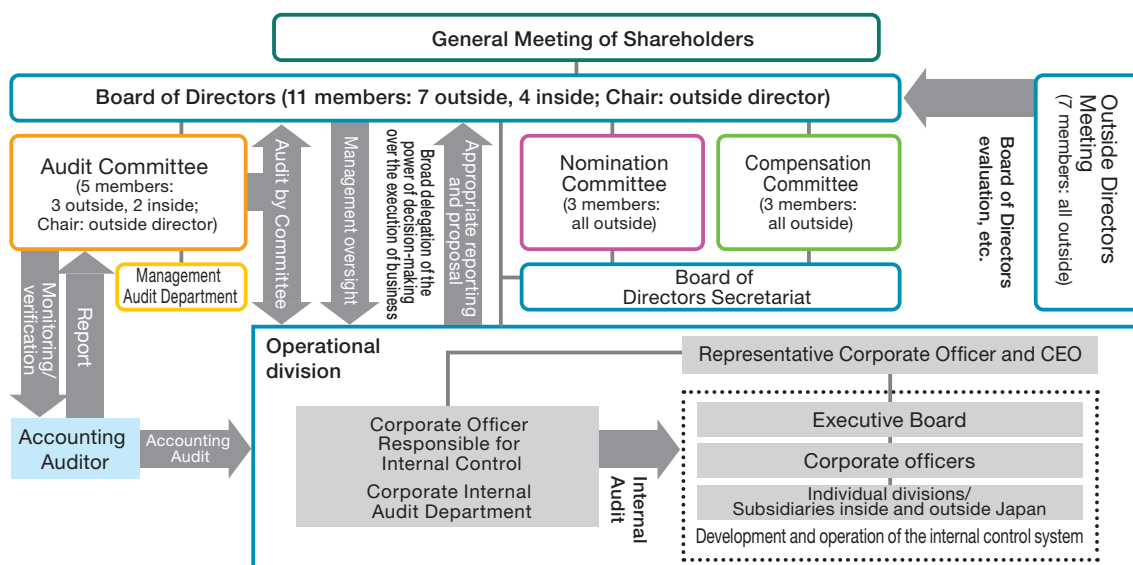
#### (a) Shareholder Relations: The Company shall:

- (i) Respect the rights of all shareholders;
- (ii) Ensure the equality of all shareholders;
- (iii) Develop positive and smooth relations with the Company’s stakeholders including all shareholders; and
- (iv) Ensure transparency by properly disclosing Company information.

#### (b) Corporate Governance System

- (i) The Company has adopted a company with a nomination committee, etc., system.
- (ii) The Board of Directors (“the Board”) shall delegate to the corporate officers broad power of decision-making for business execution, to the extent permitted by the laws and regulations, and it shall exercise the function of management oversight.
- (iii) The majority of the Board shall be independent and neutral outside directors.
- (iv) The Representative Corporate Officer and CEO shall be the only director who is concurrently a corporate officer.
- (v) To clarify the management oversight function, the positions of the Chair of the Board and the Representative Corporate Officer and CEO shall be separated and performed by different people.
- (vi) The Nomination Committee and the Compensation Committee shall be entirely composed of outside directors, and the majority of the Audit Committee shall consist of outside directors.
- (vii) The Chairs of the Nomination Committee, the Audit Committee and the Compensation Committee shall be outside directors.
- (viii) The internal control system and its operation shall be enhanced, to ensure the credibility of financial reports.

### The Company’s Corporate Governance System



## (2) Features of the Company's Corporate Governance

### (a) Clear Separation of the Functions between Oversight of Management and the Execution of Business

The central aspect of the Company's corporate governance is the clear separation of the oversight of management and the execution of business by fully utilizing the fact that it is a company with a nomination committee, etc., system.

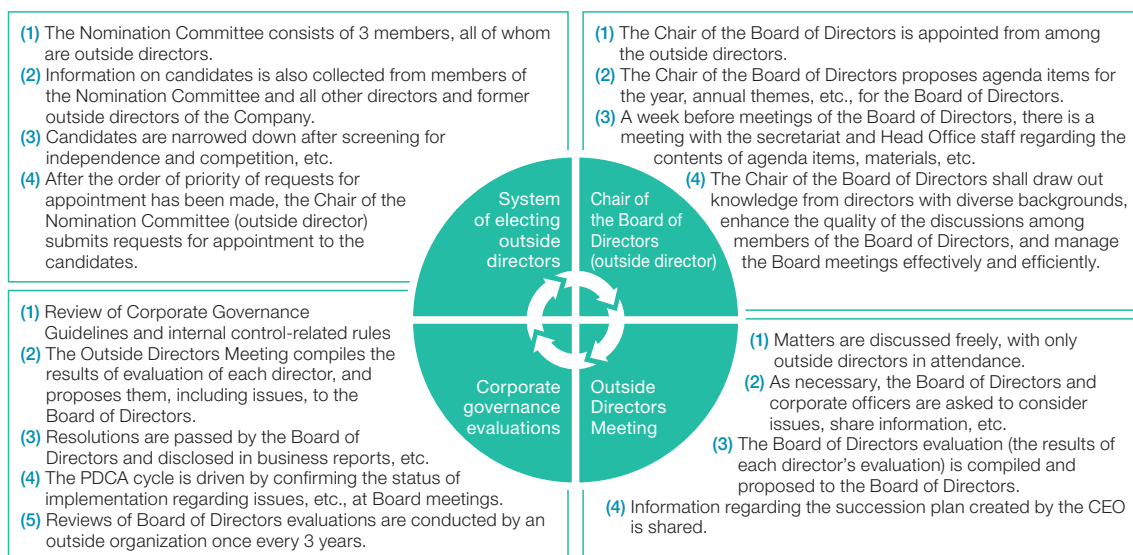
The Board of Directors with outside directors making up the majority is able to enhance the vitality of and devote its attention to management by entrusting a large portion of the decision-making authority over business execution to corporate officers to the extent permitted by the laws and regulations. In accordance with the Companies Act, the Board of Directors has passed resolutions on rules for the Systems for Ensuring Proper Business Operations to establish specific internal controls that should be established and operated by corporate officers. (For more on the Status of Establishment and Operation of Systems for Ensuring Proper Business Operations, see pages 68 through 70.) In addition to the items set forth in the rules, corporate officers work to enhance and operate the internal controls within the scope of their responsibilities to secure autonomy and increase the speed and flexibility of business execution.

Under this structure, the Board of Directors also checks the status of execution of duties by corporate officers and inspects the appropriateness of the status of internal controls, such as the business execution and decision-making processes, from the perspectives of shareholders and society.

Furthermore, in order to achieve a clear separation between the oversight of management and the execution of business, the Company has established that the chair of the Company's Board of Directors be an outside director and that the Representative Corporate Officer and CEO be the only individual to concurrently serve as a corporate officer and a director.

### (b) A Sustained, Autonomous Mechanism for Enhancement of Corporate Governance Centered on Outside Directors

The presence of 7 independent outside directors, who account for the majority of the Board of Directors, supports the effectiveness of the Company's corporate governance structure. As indicated in the diagram below, the Company has established and is operating a mechanism to enhance sustained, autonomous corporate governance centered on outside directors, including (1) a system of electing neutral and independent outside directors by a Nomination Committee, (2) operating the Board of Directors, etc., through the leadership of a chair who is an outside director, (3) an Outside Directors Meeting for broad discussion of corporate governance, including consideration of a succession plan, etc., and (4) corporate governance evaluations that drive the Plan-Do-Check-Act (PDCA) cycle of the Board of Directors and each committee. We will continue to work to enhance the contents of each of those efforts.





### (c) Efforts to Ensure the Independence and Neutrality of Outside Directors

When electing outside directors, the Nomination Committee places the utmost importance on ensuring the independence and neutrality of outside directors.

The work of selecting candidates for outside directorships begins with creating a list of candidates. In addition to directors who are currently serving, the Nomination Committee asks the Company's former outside directors, who have extensive personal networks, to create a list of candidates, and updates the candidate list every year. The Nomination Committee screens the candidate lists for independence, competition, and other related matters, narrows down the candidates in accordance with the requirements for new candidates for the relevant fiscal year, then determines the candidates for whom requests for appointment will be submitted. After the decision is made, the Chair of the Nomination Committee promptly meets with the candidates, and submits requests for appointment to the Company's directors.

The Company's Nomination Committee consists of only 3 members, all of whom are outside directors. Utilizing the process described above, they select director candidates with fairness and transparency.

In addition, the Nomination Committee strictly applies the "Requirements for the Independence and Neutrality of Outside Directors" (hereinafter "the Requirements"), stipulated by the Committee, for the selection of candidates for outside directors. Every year, the Nomination Committee examines each outside director candidate, whether for new election or re-election, to determine whether he or she meets the Requirements and to assess his or her independence and neutrality. (For the entire text of the Requirements, see page 33.)

The Company inspects the Requirements each year, and revises them as necessary, to respond to changes in laws and regulations as well as standards of securities exchanges, etc., and also from the perspective of improving corporate governance.

#### Interview

#### Election of the Company's outside directors

**Q** What was the background that led you to the appointment as an outside director at Eisai?

**A** I do not really know the background. I wasn't closely involved with Eisai, so when the company contacted me, I was puzzled and wondered what on earth it could be about. I exchanged business cards with CEO Naito for the first time, when the Company had already decided to appoint me as an outside director. I was genuinely surprised by the whole process. I think my fellow outside directors felt the same.

In general, when most companies are appointing an outside director, I imagine someone in management will say something like "I know someone who is reliable, so we should just check that there are no issues with independence or neutrality." That is certainly not the case at Eisai. Eisai starts by narrowing down a list of candidates whose independence and neutrality are assured, then the Nomination Committee, which consists exclusively of outside directors, selects a new outside director with the aim of striking a balance, for example, across areas of expertise. It may be risky from the CEO or the operational divisions' point of view, as they are not directly involved in the process, and it requires a certain amount of courage. I would say that this process truly reflects Eisai's commitment to governance.



**Toru Yamashita**  
Chair of the Board of Directors

(Excerpt from the page listing Eisai's Corporate Governance System in the Company's Integrated Report 2017)

#### (d) Chair of the Board of Directors (outside director)

The Company selects the Chair of the Board of Directors, the central figure in Board of Directors operation, from the outside directors. In order to enable the Board of Directors to make fair and appropriate judgments on behalf of shareholders and other stakeholders, the Chair of the Board of Directors ensures that the selection of agenda items and the establishment of annual themes are scrutinized, that sufficient time is also spent to confirm the content of proposals presented to the Board of Directors, and that the Board of Directors Secretariat is instructed to explain the content of the proposals to each director in advance of meetings. Meetings of the Board of Directors are conducted in ways that enable directors, with their diverse backgrounds, to express their opinions on the basis of their varied knowledge.

As the director who leads the outside directors, the Chair of the Board of Directors serves as chair of the Outside Directors Meeting.

#### (e) Outside Directors Meeting

The Company holds Outside Directors Meetings (with only outside directors in attendance) on a regular basis. These meetings provide outside directors with valuable opportunities to interact, communicate at a deeper level, and make discussions at gatherings of the Board of Directors, etc., more dynamic. At Outside Directors Meetings, participants freely discuss corporate governance- and business-related matters. If necessary, the Chair of the Board of Directors submits notifications, reports, and requests to the Board of Directors and operational divisions.

The Outside Directors Meeting was held 6 times in FY2017, with 100% attendance by the outside directors, and the members worked on the following themes.

##### **a) Information sharing and discussion regarding the succession plan**

In FY2016, the Outside Directors Meeting discussed how to share information related to the CEO succession plan, etc., and preparation for unexpected events. As a result, in April 2017, rules regarding the consideration of a succession plan were established, with the unanimous support of the directors.

Since FY2017, in accordance with these rules, the Outside Directors Meeting has met regularly, with all directors, including inside directors, in attendance, to share information and discuss succession plans proposed by the Representative Corporate Officer and CEO.

##### **b) Implementing the corporate governance evaluation**

The effectiveness of the Board of Directors' management oversight function is evaluated each year at the Outside Directors Meeting. If any issues related to the operation of the Board of Directors, etc., are identified, a request and proposal for improvement is submitted to the Board of Directors and operational divisions. In the corporate governance evaluation, the status of the activities of the Board of Directors, etc., is inspected and evaluated based on the corporate governance evaluation carried out in the previous fiscal year, issues are identified for the next fiscal year, and improvement measures are shown, thereby driving the Plan-Do-Check-Act (PDCA) cycle.

Beginning in FY2017, we have had an outside organization review our processes and results once every 3 years to ensure the appropriateness and suitability of continued, regular corporate governance evaluations.

##### **c) Dialogue with outside directors and investors**

Up to this point as well, the Company has conducted meetings between institutional investors and outside directors in Japan and overseas. In FY2017, outside directors visited multiple institutional investors, providing explanations of the Company's efforts regarding governance and the activities of the Independent Committee of Outside Directors related to the Policy for Protection of the Company's Corporate Value and Common Interests of Shareholders, and taking the opportunity to exchange opinions.



We have confirmed that outside directors will continue the dialogue with investors in order to deepen mutual understanding of efforts toward corporate governance aimed at increasing corporate value.

#### (f) Interaction Between Outside Directors, Corporate Officers, and Employees; Implementation of Each Type of Training Workshop

In order to deepen the understanding of the Company's business environment and the contents of activities, enhance deliberations by the Board of Directors, and fully utilize the oversight function, we plan and conduct training workshops and opportunities to interact with operational divisions.

In FY2017, we held meetings with directors and the assigned corporate officers multiple times for the purpose of giving outside directors a deeper understanding of our business activities and gaining an understanding of the circumstances of global risk management. In addition, we visited Tsukuba Research Laboratories, Kawashima Plant, and the Tokyo Communication Office, to provide outside directors and young employees with opportunities to share information and engage in discussions. As regular training, we conducted compliance training for executives once in the first half and once in the second half, with outside directors also participating.

#### Status of implementation of training meetings, etc., in FY2017

| Date              | Details   |
|-------------------|---|
| April 26, 2017    | Shared information related to Japan business with the assigned corporate officers   |
| May 10, 2017      | Shared information related to the Neurology Business Group with the assigned corporate officers   |
| May 26, 2017      | Shared information related to Corporate Affairs with the assigned corporate officers  |
| July 5, 2017      | New outside director training workshop  |
| July 10, 2017     | New outside director training workshop  |
| July 19, 2017     | New outside director training workshop  |
| July 27, 2017     | Executive compliance training   |
| November 21, 2017 | <i>hhc</i> Initiative 2017  |
| December 13, 2017 | Shared information related to risks in China business with the assigned corporate officers  |
| December 26, 2017 | <i>hhc</i> socialization training (a viewing session of "Ise Film," to think about creating value together with patients and their families and a workshop to share things that have been identified) |
| January 18, 2018  | Visit to Kawashima Plant (plant tour, interaction with young employees)   |
| February 2, 2018  | Shared information related to risks in Americas business with the assigned corporate officers   |
| February 2, 2018  | <i>hhc</i> socialization training (viewing an educational DVD on dementia for elementary, junior high, and senior high school students)   |
| February 9, 2018  | Visit to Tsukuba Research Laboratories (plant tour, interaction with young employees)   |
| February 27, 2018 | Executive compliance training   |
| March 2, 2018     | Visit to the Tokyo Communication Office (interaction with young employees on the front line of sales)   |

Before taking office, newly appointed outside directors receive explanations of matters related to the overview of the Company, the Corporate Philosophy, business conditions, and corporate governance, as well as various types of regulations, etc. In order to deepen the outside director's understanding of the Company, after taking office, explanations and tours of business sites, etc. are given by the corporate officers in charge, regarding the Company's business activities, the trends of the pharmaceuticals industry, and the Company's business environment, and conducted as soon as possible.

### (3) Support Structure for the Board of Directors and Committees

#### (a) Board of Directors

The Board of Directors Secretariat has been established as a department to support the Board of Directors and carry out the following duties.

- Preparing agenda items and related materials for the Board of Directors and holding prior discussions with the Chair of the Board of Directors
- Providing information to directors in a prompt manner and explaining agenda items in advance

#### (b) Nomination Committee, Compensation Committee, and Independent Committee of Outside Directors

The Board of Directors Secretariat carries out the following secretariat duties for the Nomination Committee, Compensation Committee, and Independent Committee of Outside Directors.

- Preparing agenda items and related materials for the Committees and holding prior discussions with the Chairs of the Committees
- Explaining agenda items to members of the Committees in advance

#### (c) Audit Committee

The Company has established a Management Audit Department independent of operational divisions as a specialized organization to provide support for the Audit Committee. As the secretariat for the Audit Committee, the Management Audit Department is responsible for the following duties.

- Preparing agenda items and related materials for the Audit Committee and holding prior discussions with the Chair of the Audit Committee
- Providing information to members of the Audit Committee in a prompt manner and explaining agenda items in advance
- Providing the necessary information on matters for deliberation by the Audit Committee to directors not on the Audit Committee

#### **Independence from the operational divisions of the Management Audit Department\***

- The Management Audit Department shall be organized independent of the corporate officers of the Company.
- The director and staff of the Management Audit Department shall perform their duties under the direction of the Audit Committee and Audit Committee members of the Company.
- The director and staff of the Management Audit Department shall be appointed, reassigned and disciplined by the Representative Corporate Officer and CEO of the Company with the consent of the Audit Committee of the Company.
- The decision on personnel evaluation of the director and staff of the Management Audit Department will be conducted by the Audit Committee of the Company.

\* Excerpt from the Rules Concerning Items Necessary for the Performance of Duties by the Audit Committee

## (4) FY2017 Corporate Governance Evaluation

On April 25, 2018, the Board of Directors deliberated on the results of the Board of Directors evaluation, which was compiled in the Outside Directors Meeting, the Self-review of the Corporate Governance Guidelines and the Self-review of Internal Control Regulations\*, as well as the results of verification of the suitability of these evaluations and reviews conducted by outside organizations, and approved the Results of Evaluation of Corporate Governance in FY2017.

\* "Rules Concerning Items Necessary for the Performance of Duties by the Audit Committee" and "Rules for Preparing Necessary Systems for Ensuring the Suitability in the Performance of Duties by Corporate Officers" (See pages 164 to 168 of the Appendix for the full text of the Rules.)

### ● Board of Directors evaluation

- (1) The Board of Directors evaluation assesses the Board's overall effectiveness, etc., in performing its management oversight functions.
- (2) The scope of the Board of Directors evaluation also includes the Nomination Committee, Audit Committee, Compensation Committee, and the Outside Directors Meeting.
- (3) The Board of Directors evaluation is based on self-evaluations by individual directors.
- (4) The results of the Board of Directors evaluation are compiled and summarized by the Outside Directors Meeting to ensure the objectivity of the evaluation, and the evaluation is determined in a meeting of the Board of Directors.

### ● Self-review of the Corporate Governance Guidelines

- (1) The Corporate Governance Guidelines are a code of conduct for corporate governance established by the Board of Directors.
- (2) The Board of Directors conducts reviews each year to evaluate whether the execution of duties by the Board of Directors, etc., is maintained and operated in accordance with these Guidelines.

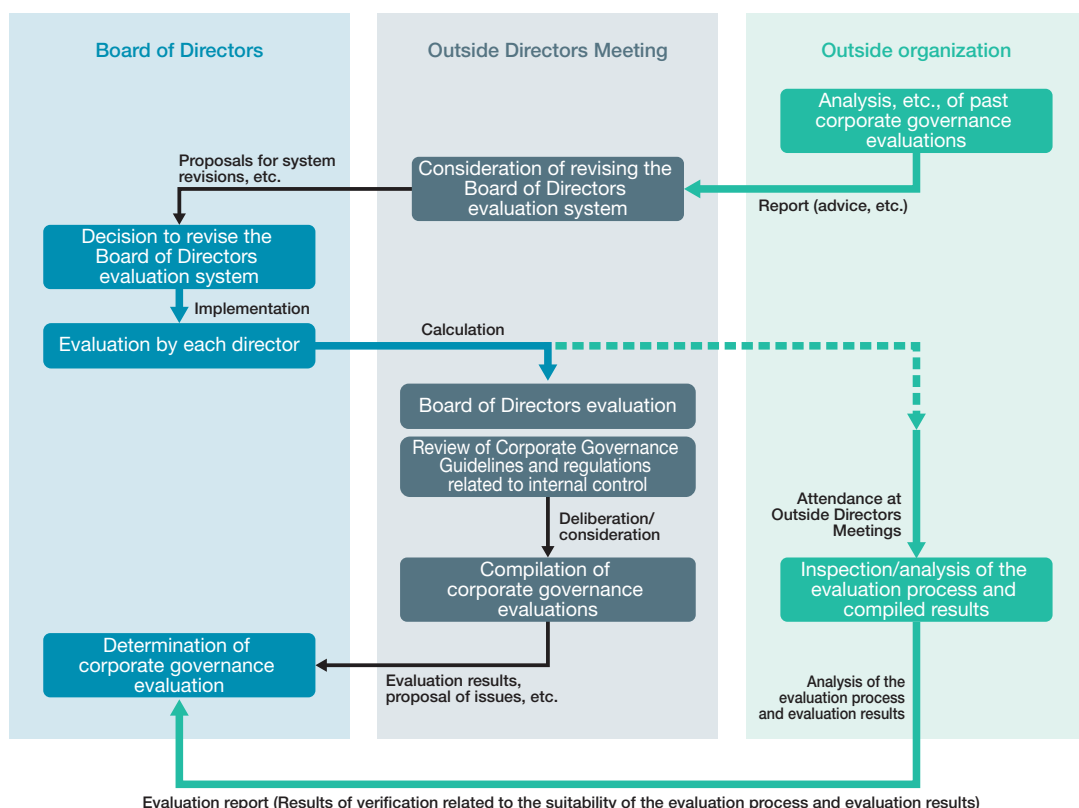
### ● Self-review of the Internal Control Regulations

- (1) The Internal Control Regulations were established by the Board of Directors to stipulate matters required for the execution of duties by the Audit Committee and ensure suitable performance of duties by corporate officers.
- (2) The Board of Directors conducts reviews each year to evaluate whether systems are established and evaluated in accordance with both sets of rules.

### ● A mechanism to improve and guarantee the Board of Directors evaluation utilizing outside organizations

- (1) Aiming to "guarantee the suitability of the Board of Directors evaluation," we implemented a mechanism to improve and guarantee the Board of Directors evaluation through an outside organization, beginning in FY2017. Every 3 years, we will investigate, evaluate, propose improvements, and inspect evaluation results, etc., of the evaluation process conducted by an outside organization.
- (2) After analyzing the Company's past evaluation methods, evaluation decision process, evaluations of each director, and final evaluation, etc., the outside organization will point out issues and make recommendations regarding the systems and their operations.
- (3) The Outside Directors Meeting and Board of Directors will strive to improve the systems and operation in accordance with the findings and recommendations of the outside organization.
- (4) The outside organization will inspect the evaluation process, evaluation results, and other aspects of the Board of Directors evaluation compiled by the Outside Directors Meeting and submit a report to the Board of Directors.

- (5) The Board of Directors determines the corporate governance evaluation for the applicable fiscal year, based on the evaluation compiled by the Outside Directors Meeting and the report from the outside organization.



## FY2017 Corporate Governance Evaluation Results

With regard to the Corporate Governance Guidelines and Internal Control Regulations, no evidence was found of operation, etc., that deviates from the rules, and it was confirmed that the directors and corporate officers, etc., are executing their duties appropriately to improve corporate governance.

In regard to the Board of Directors evaluation, as indicated on pages 50 to 54, we confirmed and evaluated the status of response in FY2017 based on the Board of Directors evaluation for FY2016, and identified issues, etc., for the next fiscal year.

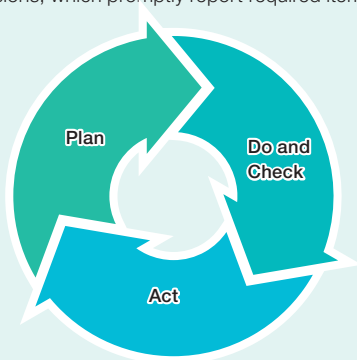
The results of the inspection by an outside organization are given in “Board of Directors Evaluation Third-party Review Report (Overview)” on page 55.

## The Role, Etc., of the Board of Directors

### Plan

#### FY2016 Board of Directors Evaluation

- The Board of Directors sets appropriate proposals in a timely manner, and the secretariat takes sufficient time to explain the proposals to each director in advance. In its deliberations, the Board discusses any questions raised and reaches a resolution, etc., on each proposal, based on active comments made by the directors. It was confirmed that the Board sufficiently fulfills its roles and responsibilities.
- At meetings of the Board of Directors, corporate officers answer questions raised by directors in a timely and appropriate manner. Directors actively point out issues and state their opinions that lead to the presentation of agenda items, and the Board appropriately receives reports from operational divisions, which promptly report required items.



### Do and Check

#### Confirmation and Evaluation of the Status of Response in FY2017

In August, the chair of the Board of Directors recommended the selection of proposals to the Board, and annual agenda items were confirmed. Agenda items, such as initiatives related to data integrity and responses to Brexit, were also presented as needed according to requests from directors, and reports were made by operational divisions.

Time was made as needed for corporate officers in charge to provide supplementary explanation, etc., to enable active discussion to take place at meetings of the Board of Directors, and deliberation and the passing of resolutions were carried out. It was confirmed that the Board of Directors was appropriately fulfilling its expected roles.

In regard to communication between the Board of Directors and corporate officers, initiatives, such as making time after a meeting of the Board of Directors for the Board to receive briefings from corporate officers regarding their assigned duties and carry out discussions, were carried out proactively.

Furthermore, based on the rules established in FY2016 for the consideration of the succession plan, information was shared with and discussions were sufficiently carried out between all directors regarding the succession plan formulated by the CEO.

### Act

#### Challenges toward FY2018

- In regard to the selection of proposals, initiatives based on directors' duty of care, such as setting timely themes and carrying out discussions on signs of risks to the Company while grasping its signs, will continue to be sought.
- The necessity of agenda items will be considered each year and the number of items narrowed down each year to enable substantial discussions to be carried out during meetings of the Board of Directors.
- It was confirmed that information sharing related to the succession plan will continue to be made on a routine basis while repeating the Plan, Do, Check, Act (PDCA) cycle.

## The Board of Directors Proceedings, Etc.

### Plan

#### FY2016 Board of Directors Evaluation

- Improvement of quarterly business execution reports submitted by corporate officers is made each year, such as adding report contents that give an overview of the progress of business plans. In addition, it was confirmed that ongoing improvements need to be made to enhance understanding, such as considering how to make more targeted reports and using graphs, figures, and tables.
- It is understood that, depending on the contents of the proposals deliberated at meetings of the Board of Directors, the Board can engage in deeper discussions and further enhance its management oversight function by sharing the following information in advance: detailed explanation of the proposals, circumstances leading to decision-making, the review process, and background to the discussion, etc.
- With regard to early distribution of proposals and materials, etc., for the Board of Directors, improvements such as enabling a draft to be viewed 1 week before meetings of the Board are held were implemented by introducing an information sharing system that is accessible from outside the Company. It was confirmed that ongoing efforts will need to be made in the future, such as making the system more user-friendly.

### Do and Check

#### Confirmation and Evaluation of the Status of Response in FY2017

The quarterly business execution report was made into a 3-part format (part 1: progress of the business plan; part 2: important issues; and, part 3: regular report from the corporate officer). A style improvement was made to part 1 so that in addition to the performance briefing, graphs and charts would be used to enable consistent reporting of performance and progress.

In part 2, the important points of discussion at meetings of the Board of Directors were made clear by picking up 2 or 3 important items for the relevant quarter. Efforts were made to deepen the understanding and discussions of directors by having assigned corporate officers provide supplementary explanations for detailed information.

In part 3, efforts were made to reduce the amount reported to standardize the report format regarding strategies toward achievement of the FY2017 plans and their progress, and challenges in the execution of business by each corporate officer and their response. Consideration was made in regard to the information sharing system related to the provision of proposals, etc., but did not result in improvements.

### Act

#### Challenges toward FY2018

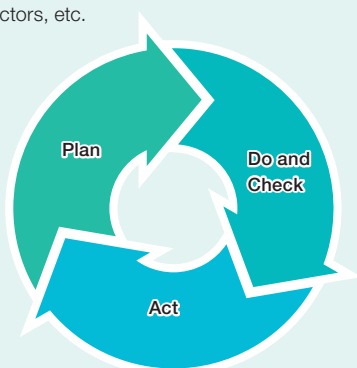
- There is still much room for improvement of the quarterly business execution report, such as a further reduction of the volume of information and number of materials, and simplifying the report. It was therefore confirmed that ongoing efforts for improvement will be carried out.
- Amid the global changes in discussions on how risks should be understood, it was confirmed that the content should go beyond the reporting of risks, such as compliance items, and there was a need for the recognition of corporate officers on and reports of strategic risks (including both positive and negative risks) relating to business activities being sought, as qualitative improvement of the content reported to the Board of Directors.
- It was confirmed that initiatives toward improvement of the convenience of the information sharing system will continue to be carried out.

## Outside Directors, and Outside Directors Meeting

### Plan

#### FY2016 Board of Directors Evaluation

- At meetings of the Board of Directors, highly specialized matters unique to the pharmaceutical industry are sometimes deliberated upon. To deepen discussions at Board Meetings, opportunities for training and on-site visits targeting outside directors will continue to be provided. It was confirmed that outside directors will make ongoing efforts to obtain information and knowledge necessary for management oversight, and that they require sufficient support to that end.
- At Outside Directors Meetings, outside directors were able to deepen mutual understanding and share knowledge about corporate governance. It was confirmed that outside directors will continue to fulfill their role by reviewing a wider range of topics in the future so that they can engage in more efficient and substantial discussions at meetings of the Board of Directors, etc.



### Do and Check

#### Confirmation and Evaluation of the Status of Response in FY2017

Meetings between directors and assigned corporate officers were carried out with objectives that included deepening understanding regarding business groups and business activities in regions, and understanding the state of risk management in a region. In FY2017, such meetings were held regarding the Japan business, Neurology Business Group, Corporate Affairs, China region and Americas region.

Visits were made to the Tsukuba Research Laboratories, Kawashima Plant and Tokyo Communication Office, and opportunities were created for information exchanges and discussions between outside directors and young employees.

In regard to periodic training, outside directors participated in the officers compliance training carried out once each during the first and second half of the year.

In addition to such training, etc., 5 Outside Directors Meetings were held in FY2017. The content of the meetings included reports to the Board of Directors on overseas risks, improvement of quarterly business execution reports, information sharing on the succession plan, utilization of external agencies on Board of Directors evaluations, and information sharing on the selection of directors by the Nomination Committee. As stated above, the Outside Directors Meeting is fulfilling its expected roles and functioning well as an organization within the Board of Directors.

### Act

#### Challenges toward FY2018

- In regard to training sessions, the importance for even re-elected directors to repeatedly acquire basic information and knowledge related to the industry and the Company through such means as auditing the training for new outside directors, and the need to establish periodic opportunities to acquire information and knowledge specific to the industry were confirmed. Furthermore, ongoing initiatives by the secretariat to provide support in relation to technical terms and abbreviations used in proposals at the meeting of the Board of Directors, etc., were sought.
- There was no opportunity in FY2017 for outside directors to come into contact with patients, who are the Company's major stakeholders. The need to establish these kinds of opportunities on an ongoing basis based on the Corporate Philosophy was confirmed.
- Re-examining the utilization of the Outside Directors Meeting as a forum for communication between outside directors and promotion of understanding each other's ways of thinking, etc., which was the original objective of establishing the Outside Directors Meeting, broadening the breadth of the themes handled in the meetings, and devising better ways to hold the meetings were confirmed as issues.

## Nomination, Audit and Compensation Committees

### Plan

#### FY2016 Board of Directors Evaluation

- It was confirmed that the Nomination Committee, Audit Committee, and Compensation Committee are appropriately managed. Corporate officers' reports to the Audit Committee are now shared with directors other than Audit Committee members so that information is shared between the Audit Committee and the Board of Directors. The Compensation Committee also makes detailed reports on deliberation contents to the Board of Directors. The need for the Nomination Committee to also share information on a timely basis with the Board of Directors on the background of reviews, the deliberation process, etc., in the future was also confirmed.

### Do and Check

#### Confirmation and Evaluation of the Status of Response in FY2017

The Nomination Committee provided detailed briefings to all directors on such matters as the flow of director candidate selection by the Nomination Committee, director(s) scheduled to retire in the following fiscal year, and status of reviewing new director candidates, and information sharing was carried out sufficiently. The Nomination Committee, Audit Committee, and Compensation Committee were all confirmed through the FY2017 evaluation results as being appropriately managed.

### Act

#### Challenges toward FY2018

- Confirmation was made of the individual issues of each committee, which were pointed out as comments in the FY2017 evaluations. It was confirmed that each committee will review their respective issues in question.

## Matters Related to Internal Control and Risks

### Plan

#### FY2016 Board of Directors Evaluation

- Operational divisions rigorously engage in internal control. Systems for internal control have been established and operated at a reasonable level, including the implementation of external evaluation of internal audits. Risks in Japan and overseas are reported to the Audit Committee in a timely and sufficient manner. In particular, it was confirmed that the Board of Directors will continue to address overseas risks with an active interest.

### Do and Check

#### Confirmation and Evaluation of the Status of Response in FY2017

It was confirmed that the Rules Concerning Items Necessary for the Performance of Duties by the Audit Committee, which are internal control related rules established by resolution of the Board of Directors, and the Rules for Preparing Necessary Systems for Ensuring the Suitability in the Performance of Duties by Corporate Officers, are appropriately complied with no deviance in their management. As for overseas risks, reports were made to the Board of Directors on the global structure for managing drug safety information. Additionally, in regard to the China and Americas regions, the assigned corporate officer briefed outside directors on risk management and response in the respective region, and established an opportunity for discussion.

### Act

#### Challenges toward FY2018

- The meeting with assigned corporate officers on overseas risks was a good opportunity for understanding the local situation. It was confirmed that the meeting will be carried out repeatedly in the future, and that the meeting will be carried out for other regions as an opportunity for information exchange with a further focus on risks.
- The need for directors to take the initiative to make risks visible by proactively seeking reports on risks from operational divisions and to make habitual sound risk management by proceeding with things after correctly understanding the risks, was confirmed.

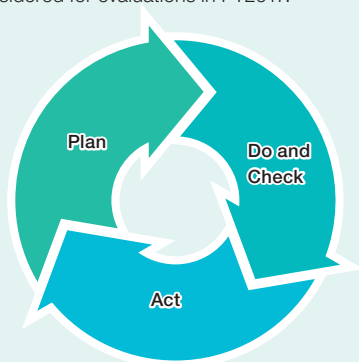


## Other Matters Related to Corporate Governance

### Plan

#### FY2016 Board of Directors Evaluation

- Corporate governance evaluations will continue to be compiled and summarized by the Outside Directors Meeting to ensure the objectivity of the evaluation. However, it was confirmed that the use of an evaluation by an external third party will need to be considered for evaluations in FY2017.



### Do and Check

#### Confirmation and Evaluation of the Status of Response in FY2017

After deliberations on the utilization of external agencies in the Board of Directors evaluation, a decision was made to have an external agency carry out a review of the result of the Board of Directors evaluation beginning in FY2017. The review of the Board of Directors evaluation by an external agency will be carried out once every 3 years to ensure the appropriateness and adequacy of Board of Directors evaluations on a continual, regular basis.

In regard to meetings between outside directors and institutional investors, which were traditionally carried out sporadically, opportunities for exchanges of opinions were obtained in FY2017. Outside directors visited a number of institutional investors to brief them on the Company's governance initiatives as well as the Independent Committee of Outside Directors' activities related to the Policy for Protection of the Company's Corporate Value and Common Interests of Shareholders.

### Act

#### Challenges toward FY2018

- It was confirmed that the disclosure on the Company's corporate governance will be enriched such as by disclosing the results of corporate governance evaluations as items within the Board of Directors' Plan, Do, Check, Act (PDCA) cycle.
- It was confirmed that the dialogue between outside directors and institutional investors will continue to be carried out from FY2018 after consideration of the implementation method and theme of the dialogue, and that going forward, such engagement between outside directors and institutional investors will be added on as a Board of Directors evaluation item.

## Report on the Third-party Review of the Board of Directors Evaluation (Overview)

Eisai Co., Ltd. reviewed, from the following perspectives, the evaluation of the Board of Directors that the Company conducts.

- Verification of the completeness of the questionnaire items used in the Board of Directors evaluation
- Verification of the fairness and adequacy of the evaluation method
- Verification of the fairness and adequacy of discussions in the Outside Directors Meeting
- Verification of the fairness and adequacy of disclosed contents of the Board of Directors evaluation results


At the time of the review, reviewers analyzed the materials, disclosure documents, etc., related to the Board of Directors evaluations for the past 2 years provided by Eisai Co., Ltd., attended the Outside Directors Meeting, and have ensured that the information necessary for the review is obtained.

### Review results

- Third-party checks are built into the evaluation methods, and other measures are taken to increase transparency.
- It is evident that sincere efforts are being made to improve the governance that supports the increase of corporate value, and it can be judged that the FY2017 Board of Directors evaluation overall has been conducted appropriately from the perspectives of completeness, fairness, and suitability.
- It is believed that efforts to address the matters identified in the review as having room for improvement (consideration of adding items to the questionnaire, etc.) will result in an improvement of governance that is more effective.

## (5) Activities of the Board of Directors and Committees

### (1) Board of Directors Proceedings

| Personnel  |  |  | Duties, etc.   |
|--|--|--|--|
| <p>11 directors</p>  <p><b>Chair</b> Toru Yamashita   Tamaki Kakizaki   Haruo Naito<br/>         Ikuo Nishikawa   Daiken Tsunoda   Noboru Naoe<br/>         Eiichiro Suhara   Bruce Aronson   Hirokazu Kanai<br/>         Yasuhiko Katoch   Yutaka Tsuchiya</p> |  |  | <p><b>(1)</b> Determine the important matters required by law, the Articles of Incorporation and the Regulations of the Board of Directors, including basic management policies, the appointment of corporate officers, and determination of dividends, etc.</p> <p><b>(2)</b> Oversee the execution of duties by the directors and corporate officers on the basis of reports from corporate officers, as well as reports from the Nomination Committee, the Audit Committee, and the Compensation Committee.</p> |

#### Status of holding of meetings

FY2017: Held 10 times

Attendance: All directors 100%

#### Status of Board of Directors Activities in FY2017

- (1)** The Board of Directors held deliberations regarding matters requiring its decision as specified in laws and regulations, the Company's Articles of Incorporation, and Regulations of the Board of Directors, and made decisions on these matters. Principal items included the approval of business plans, approval of accounts, determination of shareholder dividends, and selection of corporate officers.
- (2)** The Board of Directors received quarterly reports on the execution of duties by the corporate officers and, as needed, other reports on important matters related to the execution of business.
- (3)** At its April 2017 meeting, the Board of Directors deliberated on the results of the Self-review of the Corporate Governance Guidelines and the Internal Control Regulations, as well as the Board of Directors evaluation, as proposed by the Outside Directors Meeting, and approved them as the Results of Evaluation of Corporate Governance in FY2016.
- (4)** At its June 2017 meeting, the Board of Directors revised the Corporate Governance Guidelines and the rules of the Board of Directors and each committee.
- (5)** At its August 2017 meeting, the Board of Directors resolved to continue the "Policy for Protection of the Company's Corporate Value and Common Interests of Shareholders" based on a proposal from the Independent Committee of Outside Directors.
- (6)** At its September 2017 meeting, the Board of Directors analyzed the results of the exercise of voting rights at the 105th Ordinary General Meeting of Shareholders and deliberated on future efforts.
- (7)** At its March 2018 meeting, the Board of Directors received a report on the management of global safety information from the assigned corporate officer as a matter related to overseas risks, which was one of the FY2017 themes of the Board of Directors.
- (8)** The Board of Directors worked on extensive improvements of the format and contents of the quarterly business execution reports, which were identified as an issue in the FY2016 Board of Directors evaluation.

## Message from the Chair of the Board of Directors

In FY2017, we addressed matters related to the role and proceedings of the Board of Directors, which were identified in last year's corporate governance evaluation.

At meetings of the Board of Directors, highly specialized matters unique to the pharmaceutical industry are sometimes deliberated upon, and efforts to deepen discussions were brought up as an issue. For example, we made extensive improvements to the format and contents of the quarterly business execution reports submitted by corporate officers, an important agenda item in the oversight function of the Board of Directors. This led to the improvement of the ability to view performance highlights and the status of progress at a glance, identification of important issues, and the enhancement of supplementary explanations, and made it possible to conduct deliberations with a tighter focus. In addition, we worked to enhance workshops for outside directors and communications with corporate officers and employees, continue establishing opportunities to receive reports from assigned corporate officers concerning the status of global risk management, and gain an understanding of business activities.

Further, in FY2017, we held multiple discussions with outside directors and investors, explained the Company's efforts related to corporate governance, and took opportunities to exchange opinions.


In light of these year-long efforts, at its April 2018 meeting, the Board of Directors deliberated on the corporate governance evaluation that was proposed by the Outside Directors Meeting. We identified the successes and issues of our efforts in FY2017, and put together measures in anticipation of the next fiscal year.

The Company will continue to strive to implement an autonomous Plan-Do-Check-Act (PDCA) cycle and aim for further improvement of the Company's corporate governance.



Chair of the Board of Directors  
**Toru Yamashita** (Outside Director)

## (2) Nomination Committee Proceedings

| Personnel   | Duties, etc.  |
|---|---|
| <p>3 directors</p>  <p>3 outside directors</p> <p><b>Chair</b> Eiichiro Suhara<br/>Yasuhiko Kato<br/>Bruce Aronson</p>   | <p>(1) Determine the content of the proposals related to the selection or retirement of directors made to the General Meeting of Shareholders.</p> <p>(2) Establish the “Requirements for the Independence and Neutrality of Outside Directors” for the selection of independent outside directors.</p> <p>(3) Establish basic policies, rules, and procedures necessary for the execution of duties by the Nomination Committee.</p> |
| Status of holding of meetings   |   |
| FY2017: Held 7 times  | Attendance: All directors 100%  |
| Status of Nomination Committee Activities in FY2017   |   |
| <p>(1) The Nomination Committee reviewed and partially revised “Requirements for the Independence and Neutrality of Outside Directors.”</p> <p>(2) The Nomination Committee held deliberations regarding proposals for the composition of the Board of Directors during the following fiscal year (including the number of members of the Board of Directors and committees, the ratio of inside to outside directors, the diversity of the directors, and other matters) and a simulation related to the election and resignation of directors, with an eye toward the medium- and long-term, and prepared a list of candidates for director, including those members of the Board proposed for re-election.</p> <p>(3) Based on the selection requirements and other matters pertaining to directors, the Nomination Committee narrowed down the field of candidates for director and held deliberations regarding the independence and neutrality of candidates for outside director based on their individual curriculum vitae.</p> <p>(4) The chair of the Nomination Committee interviewed new inside director candidates who had been proposed by the Representative Corporate Officer and CEO and reported the results to the Nomination Committee. Based on the report, the Nomination Committee then selected director candidates.</p> <p>(5) The chair of the Nomination Committee requested appointment of the candidates for director determined by the Committee to serve on the Board of Directors.</p> <p>(6) The Committee then decided on the director candidates and the proposed composition of the Board, including candidates for new appointment as directors who had expressed the willingness to serve on the Board.</p> |   |

## Message from the Chair of the Nomination Committee

The presence of independent outside directors, who account for the majority of the Board of Directors, supports the Company's corporate governance structure. Each year, the Nomination Committee conducts a simulation of the configuration of the Board of Directors from a medium- and long-term perspective of 3 to 5 years, and determines the requirements for candidates in light of the diversity of specialized knowledge and experiences, etc., of the individual directors.

We create lists of outside director candidates according to various attributes, based on information collected from a broad range of resources, including the Company's directors and former directors. We then narrow down the candidates in accordance with the director candidate election requirements established by the Nomination Committee, while, at the same time, checking the requirements for independence and neutrality. We then provide the selected candidates with information on the Company's corporate philosophy, thinking regarding corporate governance, etc., and in addition to learning about the candidates' character and way of thinking, we identify in advance the possibility of appointment to the office. I also interview inside director candidates who have been recommended by the Representative Corporate Officer and CEO and report the results to the Nomination Committee. Based on the report, the Nomination Committee then selects director candidates.


This fiscal year, the Nomination Committee reviewed "Requirements for the Independence and Neutrality of Outside Directors" and made revisions to more clearly define "Major Business Partner."

In the future as well, the Nomination Committee will prepare candidate lists, review the requirements for independence and neutrality, and strive to enhance communication with candidates, in an effort to continuously improve the Company's corporate governance.

Chair of the Nomination Committee  
**Eiichiro Suhara** (Outside Director)



### (3) Compensation Committee Proceedings

| Personnel  | Duties, etc.  |
|--|---|
| <p>3 directors</p>  <p>3 outside directors</p> <p><b>Chair</b> Yasuhiko Katoh<br/>Eiichihiro Suhara<br/>Bruce Aronson</p>   | <p>(1) Determine the basic policy concerning compensation, etc., of directors and corporate officers and the compensation, etc., for each individual.</p> <p>(2) Actively utilize outside research data, etc., and examine the adequacy of the process for determining compensation, etc., in order to ensure objectivity in the compensation, etc., of directors and corporate officers.</p> <p>(3) Establish basic policies, rules, and procedures necessary for the execution of the duties of the Compensation Committee.</p> |
| Status of holding of meetings  |   |
| FY2017: Held 9 times   | Attendance: All directors 100%  |
| Status of Compensation Committee Activities in FY2017  |   |
| <p>(1) The Compensation Committee held deliberations regarding Company-wide performance in FY2016 and the appropriateness of the evaluation of the corporate officers proposed by the Representative Corporate Officer and CEO, then determined the bonuses and stock-based compensation (performance-based compensation; provided in July 2017) of individual corporate officers for FY2016.</p> <p>(2) The Committee determined the individual compensation, etc., for directors and corporate officers who assumed their positions in June 2017.</p> <p>(3) The Committee received proposals from the Representative Corporate Officer and CEO regarding performance targets and evaluation criteria for the fiscal year for determining performance-based compensation for corporate officers. The Committee deliberated on the appropriateness of these proposals and approved them.</p> <p>(4) The Committee conducted research related to compensation systems and levels for directors and corporate officers by examining the compensation systems, levels, and related matters at other companies, identified relevant issues, and held discussions.</p> <p>(5) As a result of these deliberations, etc., the Committee decided to review and revise the level of compensation for outside directors in the compensation system for FY2018. Based on that, the Committee determined the basic policy for compensation, etc., for FY2018, and the compensation system for directors and corporate officers.</p> |   |

## Message from the Chair of the Compensation Committee

The Compensation Committee emphasizes “fairness and transparency” and “accountability to shareholders” when determining the compensation of the Company’s directors and corporate officers.

To ensure fairness when determining the compensation system and level, the Compensation Committee investigates officer compensation levels each year. The Committee gathers and analyzes investigation data from outside organizations and disclosed materials, etc., related to officer compensation in the industry and at pharmaceuticals companies, and verifies the suitability of the Company’s officer compensation level.

The Company carries out its pharmaceuticals business around the world, and so there are corporate officers who are based overseas. There are also corporate officers who utilize expertise to execute their duties. Accordingly, in regard to the compensation system for corporate officers, the Compensation Committee establishes officer compensation, etc., to reward the execution of business in line with the differences between countries and with individual expertise.

The Compensation Committee first confirms that the basic policy and rules it has established are being followed in the process of setting performance goals and the evaluation of the results of performance related to the performance-based compensation (bonuses, stock-based compensation) of corporate officers, then verifies the adequacy of the contents.

The Compensation Committee will strive to establish and operate a compensation system that fulfills the Company’s duty of accountability to shareholders in the future as well.



Chair of the Compensation Committee  
Yasuhiko Katoh (Outside Director)

## ● Compensation Paid to Directors and Corporate Officers

### 1. Determination of Compensation, etc.

Compensation paid to directors and corporate officers is determined by the Compensation Committee. The 3 members of the Company’s Compensation Committee including the chair are outside directors, and place emphasis on an objective perspective and transparency.

The Compensation Committee has the authority to determine the content of compensation of individual directors and corporate officers of the Company. It determines (1) policy concerning decisions on the content of compensation of individual directors and corporate officers, (2) the content of compensation of individual directors and corporate officers, and (3) the evaluation of the level of attainment of Company-wide performance targets and the individual performance targets of each corporate officer for the performance-based compensation of corporate officers.



## 2. Basic Policy Regarding the Determination of Compensation

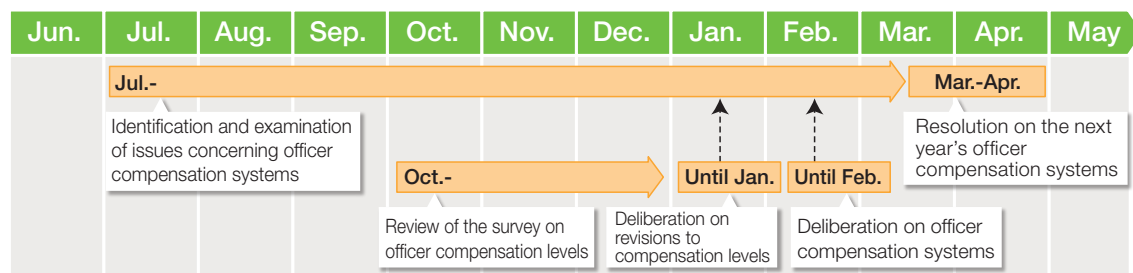
The Compensation Committee has established the following Basic Policy concerning compensation paid to directors and corporate officers in the Rules for the Operation of the Compensation Committee.

### Basic Policy Concerning Compensation Paid to Directors and Corporate Officers

- (1) Compensation shall be such that it enables the Company to globally attract excellent personnel to the Company's management cadre.
- (2) Compensation shall be reasonable and have a high level of fairness, and shall be such that it can be explained to shareholders and employees as fulfilling those requirements.
- (3) A different system shall be used for compensation for directors who perform management oversight functions and corporate officers who perform duties.
- (4) Compensation paid to directors shall be at a level suitable to enable them to perform their management oversight function, which is their duty.
- (5) Compensation paid to corporate officers shall be at a level that will strongly motivate them in the performance of their duties, thereby contributing substantially to the Company.
- (6) Directors who serve concurrently as corporate officers shall receive only the compensation designated for corporate officers.
- (7) Corporate officers who serve concurrently as employees shall receive only the compensation designated for corporate officers.

## 3. Process of Determining the Compensation System

Deliberation Process Concerning the Determination of the Compensation System by the Compensation Committee



The Compensation Committee examines various issues concerning the compensation paid to directors and corporate officers, confirms the level of compensation each year, and determines the compensation system for the following year.

The Compensation Committee actively incorporates and utilizes data, etc., from outside specialized organizations when examining various issues related to compensation and investigating and examining the level of compensation.

## 4. Compensation System for Directors



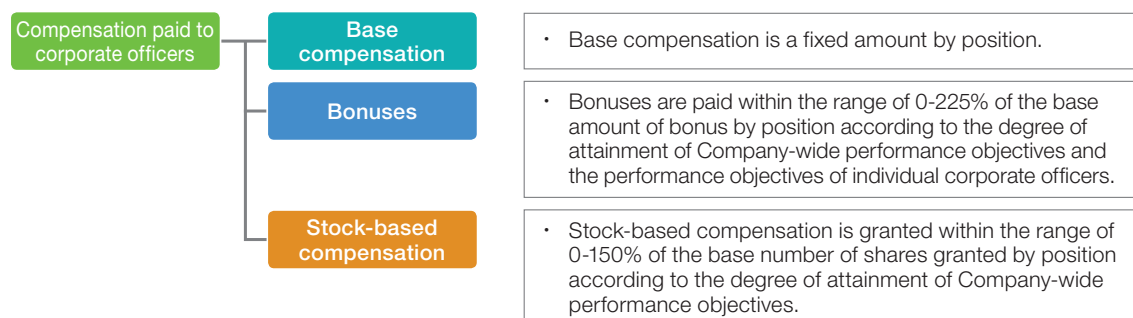
- Base compensation is a fixed amount.
- The chair of the Board of Directors and each Committee chair receive additional compensation for his or her service as chair.
- Inside directors receive additional compensation for their service as full-time directors.

Compensation paid to directors is only a fixed base compensation. The duty of directors is to supervise management, and a fixed rate not incorporating performance-based compensation is used to ensure that directors are able to properly perform their oversight functions. The level is intended to be set at the upper middle range for the industry.

## 5. Compensation System for Corporate Officers

Compensation paid to corporate officers is determined in accordance with these basic policies by the Compensation Committee with an aim to enable the Company to attract excellent personnel to the Company's management cadre and to strongly motivate corporate officers in the performance of their duties, thereby contributing substantially to the Company, and with a recognition of the differences in the levels and mechanisms of compensation, etc., in each country or region.

Compensation paid to corporate officers is made up of base compensation, bonuses, and stock-based compensation, as shown in the following figure. The level of compensation paid to corporate officers is intended to be set at the upper middle range for the industry.



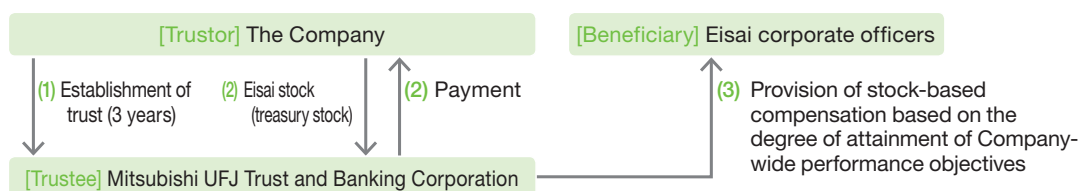
The compensation paid to corporate officers is made up of base compensation, bonuses, and stock-based compensation at a ratio of 6:3:1, and performance-based compensation accounts for 40% of total compensation.

| Fixed compensation         | Performance-based compensation |                                   |
|----------------------------|--------------------------------|-----------------------------------|
| Base compensation<br>(60%) | Bonuses<br>(30%)               | Stock-based compensation<br>(10%) |

In the case of compensation, etc., for corporate officers who have been appointed from an overseas subsidiary and corporate officers who have advanced specializations or qualifications, etc., the compensation paid is determined on an individual basis considering differences in local compensations systems, compensation levels, and specializations of duties, although the process of determining compensation is the same. In particular, the performance-based compensation of corporate officers who have been appointed from an overseas subsidiary adopts a medium- to long-term incentive system instead of a stock-based compensation system.

### Stock-based Compensation System for Corporate Officers

#### Mechanism of the stock-based compensation system (conceptual diagram)



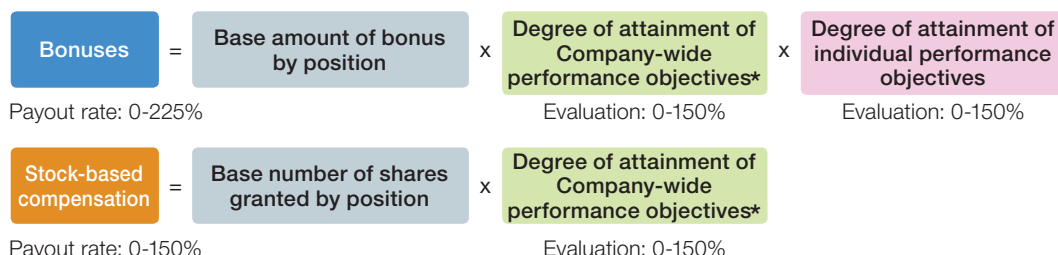
The Company's stock-based compensation system is a medium- to long-term incentive plan that provides stock-based compensation to corporate officers through a trust based on the degree of attainment of Company-wide performance objectives.

It is designed to motivate the Company's corporate officers to share the profit-consciousness of shareholders, and to perform duties from a medium- to long-term perspective on performance and stock prices.

Stock-based compensation provided to corporate officers increases or decreases each year according to Company-wide performance. In addition, in the medium and long term, when stock prices fluctuate, the actual value of the compensation fluctuates accordingly. Eisai believes that maintaining this mechanism will strengthen the motivation of corporate officers to take the perspective of shareholders and strive to increase corporate value.

Company regulations prohibit corporate officers from selling Eisai stock while in office and until at least 1 year after the individual has left that position.

#### Process of Determining Performance-based Compensation



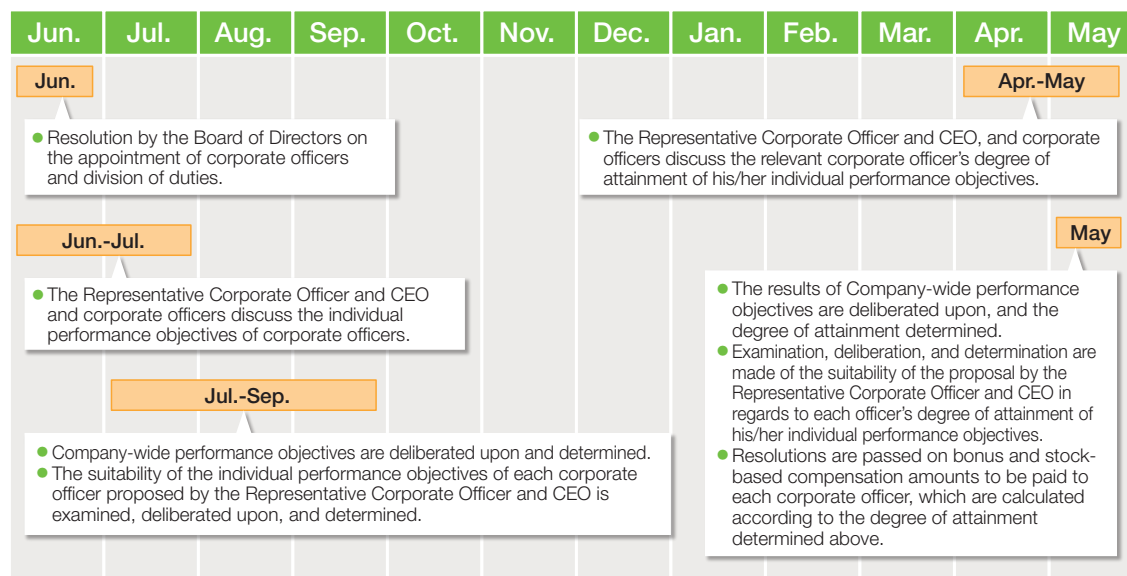
\* Consolidated revenue, consolidated operating profit, consolidated profit for the year (attributable to the parent company), and consolidated ROE

The Compensation Committee deliberates and determines the performance evaluations of corporate officers and the amount and number of shares granted to each person as performance-based compensation (bonuses and stock-based compensation). The bonuses and stock-based compensation of corporate officers are calculated based on the degree of attainment of Company-wide performance objectives and the degree of attainment of individual performance objectives using the above formula.

The degree of attainment of Company-wide performance objectives is determined based on an evaluation of consolidated revenue, consolidated operating profit, consolidated profit for the year (attributable to the parent company), and consolidated ROE. Each fiscal year, the Compensation Committee evaluates the achievement of Company-wide performance objectives in a range of 0 to 150%, based on the degree of achievement of each item.

As for the degree of attainment of individual performance objectives, the Compensation Committee approves the individual evaluations proposed by the Representative Corporate Officer and CEO after

#### Process of Determining the Performance-based Compensation of Corporate Officers by the Compensation Committee



evaluation, in accordance with the degree of achievement of the individual performance objectives of each corporate officer. Further, each corporate officer assigns weighted points to concrete performance objectives in accordance with the priority of the objectives, then sets individual performance objectives through deliberation with the Representative Corporate Officer and CEO. The objectives are approved by the Compensation Committee after evaluation of their suitability.

As a result, bonuses for corporate officers are paid in the range of 0 to 225%, with the bonus base value as 100%, and stock-based compensation is provided in the range of 0 to 150%, with the base number of granted shares as 100%.

## 6. Total Amount of Compensation Paid to Directors and Corporate Officers

The grand total of compensation paid to directors and corporate officers in FY2017 (from April 1, 2017, to March 31, 2018) was as indicated below.

### Total FY2017 Officer Compensation

|                     | Base compensation                         |                             | Performance-based compensation            |                             |   |                                     | Total<br>(Millions of yen) |
|---------------------|---|-----------------------------|---|-----------------------------|---|-------------------------------------|----------------------------|
|                     |   |                             | Bonuses                                   |                             | Stock-based compensation                  |                                     |                            |
|                     | Number of recipients<br>(No. of officers) | Amount<br>(Millions of yen) | Number of recipients<br>(No. of officers) | Amount<br>(Millions of yen) | Number of recipients<br>(No. of officers) | Expense amount<br>(Millions of yen) |                            |
| Directors (inside)  | 4   | 113                         | —   | —                           | —   | —                                   | 113                        |
| Directors (outside) | 8   | 74                          | —   | —                           | —   | —                                   | 74                         |
| Corporate officers  | 28  | 712                         | 28  | 382                         | 28  | 109                                 | 1,203                      |
| Total               | 40  | 900                         | 28  | 382                         | 28  | 109                                 | 1,391                      |

- (Notes) 1 As the compensation of directors also serving as corporate officers is only the compensation for corporate officers, the compensation of the Director, Representative Corporate Officer and CEO is included in the amount for corporate officers.
- 2 Figures for base compensation are the total figures for base compensation paid to each applicable director and corporate officer for the respective terms in FY2017.
- 3 Figures for bonus payments to corporate officers are the total figures representing the total value of planned accrued bonuses to be paid in July 2018 to eligible corporate officers for the period from April 2017 through March 2018, together with the total value of bonus payments paid in July 2017 to eligible corporate officers for the period from April 2016 through March 2017, less the value of the reserve for bonus payments disclosed in the business report for FY2016.
- 4 Figures for stock-based compensation paid to corporate officers are the total figures representing the total value of planned stock-based compensation payments to be paid in July 2018 to eligible corporate officers for the period from April 2017 through March 2018, together with the total value of stock-based compensation and other amounts paid in July 2017 for the period from April 2016 through March 2017, less the value of the reserve for stock-based compensation disclosed in the business report for FY2016. The stock-based compensation of corporate officers indicated is based on the total amount obtained by multiplying the total number of the Company's common stock granted or scheduled to be granted to the relevant corporate officer by the unit price of the Company's shares held by a trust.
- 5 Stock options have been abolished since the transition to the stock-based compensation system in June 2013, and no necessary expenses for accounting were recorded beginning in FY2015, and are therefore not shown in the table.



## 7. Total Amount of Consolidated Compensation for Each Officer (¥100 million or more)

The officers for whom consolidated compensation, etc., totaled ¥100 million or more in FY2017 are the following 6 individuals. The total amounts for each are given below.

|                      |  |              |
|----------------------|--|--------------|
| Haruo Naito          | Representative Corporate Officer and CEO | ¥153 million |
| Edward Stewart Geary | Senior Vice President                    | ¥142 million |
| Gary Hendler         | Senior Vice President                    | ¥117 million |
| Lynn Kramer          | Vice President                           | ¥180 million |
| Shaji Procida        | Vice President                           | ¥144 million |
| Alexander Scott      | Vice President                           | ¥134 million |

- Gary Hendler receives compensation from Eisai Europe Ltd. (U.K.), while Lynn Kramer, Shaji Procida, and Alexander Scott each receive compensation from Eisai Inc. (U.S.A.). The total amount of compensation received is shown for these individuals.

#### (4) Audit Committee Proceedings

| Personnel   | Duties, etc.  |
|---|---|
| <p>5 directors</p>  <p>Chair</p> <p>3 outside directors</p> <p>Chair Ikuo Nishikawa<br/>Tamaki Kakizaki<br/>Daiken Tsunoda</p>  <p>2 inside directors</p> <p>Noboru Naoe<br/>Hirokazu Kanai</p> | <p>(1) Audit the execution of duties by directors and corporate officers, determine proposals related to the selection, dismissal, and non-reappointment of Accounting Auditors to be submitted to the General Meeting of Shareholders, and execute accounting audits and other matters stipulated by applicable laws.</p> <p>(2) Strive to enhance the quality of audits and achieve efficient audits through such means as receiving reports from directors, corporate officers, employees, and Accounting Auditors on a timely and proper basis in relation to those matters required for the auditing of the execution of duties by directors and corporate officers and conducting auditing activities in relation to Accounting Auditors and the internal audit department.</p> <p>(3) Establish basic policies, rules, and procedures, etc., necessary for the execution of its duties, and review them each year.</p> <p>(4) Ensure the objectivity of audits by guaranteeing the independence of the Management Audit Department, which executes duties under the resolution of the Audit Committee and the direction of members of the Committee, from corporate officers in relation to directions related to the execution of their duties, personnel evaluations, etc.</p> |

#### Status of holding of meetings

FY2017: Held 12 times

Attendance: All members 100%

#### Status of Audit Committee Activities in FY2017

- (1) The Audit Committee devised an audit plan and conducted audits accordingly.
- (2) The Committee also conducted audits required by the Companies Act and monitored the preparation, maintenance, and operation of internal control regarding financial reports as required under the Financial Instruments and Exchange Act of Japan.
- (3) The Committee conducted audits of the Accounting Auditor and the Group's internal audit departments, etc.
- (4) The Committee shared the necessary information with the Company's Accounting Auditor and the corporate auditors, etc., of Japanese subsidiaries.

#### ● Auditing Activities of the Audit Committee in Relation to the Accounting Auditor

The Audit Committee conducted the following auditing activities in relation to the Accounting Auditor.

- The Audit Committee confirmed the yearly accounting audit plans of the Accounting Auditor in advance and obtained a copy of the plan. In addition, the Committee deliberated on whether to approve audit compensation, etc.
- The Audit Committee obtained and reviewed the auditing opinions and recommendations of the Accounting Auditor regarding quarterly and year-end financial statements (consolidated and nonconsolidated).
- Of the individual accounting audits carried out by the Accounting Auditor, the Audit Committee obtained information regarding important audits.
- The Audit Committee obtained information concerning the internal control audits executed by the Accounting Auditor.
- The Audit Committee continuously confirmed the status of the internal control of the Accounting Auditor related to Article 131 of the Rules of Company Accounting.
- The Audit Committee received the results of investigation and monitoring of the independent public accountant by the regulatory authority, etc., as needed and evaluated those results.

## Message from the Chair of the Audit Committee

The Audit Committee conducts activities in accordance with an audit plan formulated each fiscal year. This fiscal year's audit plan included audits of the execution of duties by directors and corporate officers, audits of business reports and annexed detailed statements, and audits of financial statements, etc., as items stipulated by laws and regulations. We also established other priority audit items and theme-based audits for each fiscal year. In priority audits, we inspected whether the internal control systems of the Neurology Business Group and the Oncology Business Group were being established and operated appropriately. In theme-based audits, we inspected the suitability of the segregation of duties in departments responsible for management of data related to quality and safety, and the management structures of Japan Business Communication Offices. We conducted these audits in accordance with the auditing standards established by the Audit Committee.

Chair of the Audit Committee  
**Ikuro Nishikawa** (Outside Director)



- Based on the specific requests in Auditing Standards Committee Statement 260, a document issued by the Japanese Institute of Certified Public Accountants, the Audit Committee obtained reports on the responsibilities of the Accounting Auditor in relation to audits of financial statements, the scope and timing of planned audits, the independence of the Accounting Auditor, and other items, and discussed important findings concerning auditing matters.
- The Audit Committee evaluated the engagement partners and audit team through monitoring and verification of the various activities of the Accounting Auditor by the Audit Committee and the Management Audit Department.

### ● Auditing Activities of the Audit Committee in Relation to Internal Audit Departments, etc.

The Audit Committee conducted the following auditing activities in relation to the corporate officer responsible for internal control, internal audit (see page 72) departments, and other related parties.

- The Audit Committee shared information related to internal control promotion activities and overall auditing activities through monthly meetings between Audit Committee members, the Corporate Compliance and Risk Management Department, and the Corporate Internal Audit Department. In addition to those meetings, the Audit Committee also promptly shared information regarding matters of urgency related to internal audits.
- In order to determine the existence of any investigations that may aid in audit-related matters, the Audit Committee checked the internal audit plans (annual plans and individual plans) and obtained plan documents.
- The Audit Committee obtained, from the Corporate Internal Audit Department, copies of the annual audit plans and the results of individual audits carried out by the internal audit departments of ENW\* companies.
- The Audit Committee regularly obtained information concerning the status of internal control over financial reporting under the Financial Instruments and Exchange Act of Japan.
- The Audit Committee regularly obtained reports regarding the status of efforts in internal control related to risk management.

\* ENW (Eisai Network companies) refers to the corporate group composed of Eisai Co., Ltd., and its subsidiaries and associated companies.

## **(6) Status of Establishment and Operation of Systems for Ensuring Proper Business Operations**

In accordance with Article 416 of the Companies Act and Article 112 of the Ordinance for Enforcement of the Companies Act, the Company's Board of Directors has passed a resolution on the "Rules Concerning Items Necessary for the Performance of Duties by the Audit Committee" and "Rules for Preparing Necessary Systems for Ensuring the Suitability in the Performance of Duties by Corporate Officers." See pages 164 to 168 of the Appendix for the full text of both Rules.

### **(1) Status of Operation of the "Rules Concerning Items Necessary for the Performance of Duties by the Audit Committee" (hereinafter the "Rules")**

#### **a) Items regarding the directors and employees of the Company who assist in the duties of the Audit Committee of the Company**

The Company has established the Management Audit Department as a department with responsibilities to aid the duties of the Audit Committee. Staff of the Management Audit Department perform their duties under the direction of the Audit Committee and according to the rules established by the Audit Committee and the audit plan for the individual fiscal year. Their service is governed by the provisions of work regulations. Note that there is no director in place to aid the duties of the Audit Committee.

#### **b) Items regarding the independence of the Management Audit Department from the corporate officers of the Company and items regarding ensuring the effectiveness of the instructions of the Audit Committee of the Company to the Management Audit Department**

The director and staff of the Management Audit Department have performed their duties under the direction and orders of the Audit Committee, in accordance with the Rules. Evaluations of the director and staff of the Management Audit Department have all been conducted by the Audit Committee. Management Audit Department staff have been appointed and reassigned with the consent of the Audit Committee.

#### **c) System for officers and employees of ENW\* companies to report to the Audit Committee**

All corporate officers report monthly to the Audit Committee regarding items stipulated in the Rules. Important matters have been reported as needed. In addition, important internal meetings have been established in the audit plan of the Audit Committee to monitor the status of discussions and resolutions.

A system is established to ensure highly important compliance-related matters reported to the Chief Compliance Officer and/or the Compliance Counter are immediately reported to the Audit Committee. In addition, the Audit Committee obtains information related to the internal control of ENW from their corporate auditors and the board of corporate auditors.

#### **d) Systems for ensuring that the person making a report in the preceding paragraph does not receive disadvantageous treatment on the grounds of having made such report**

The Compliance Handbook requires ENW executives and employees to report any concerns related to compliance. At the same time, it prohibits retaliation against the person making the report. The Compliance Counter has established and implements operational rules, including the protection of persons making a report. Retaliatory and other similar acts toward persons making a report are also strictly prohibited in work regulations. The Audit Committee carries out monthly confirmations of the state of operation of the Compliance Counter, including the presence of prejudicial treatment.

#### **e) Items regarding policies for the processing of expenses and obligations that arise with respect to the execution of duties of Audit Committee members**

All expenses for the execution of duties of the Audit Committee are processed without any restrictions being placed by operational divisions.

\* ENW (Eisai Network companies) refers to the corporate group composed of Eisai Co., Ltd., and its subsidiaries and associated companies.



## **f) Other systems for ensuring the effective performance of audits of the Audit Committee**

The Audit Committee obtains audit plans and audit results from the Accounting Auditor and the internal audit departments to ensure audits by the Audit Committee are effectively performed. Through these audit activities, the Audit Committee also shares necessary information with the Accounting Auditor, internal audit departments, and other related parties.

## **(2) Status of Operation of the “Rules for Preparing Necessary Systems for Ensuring the Suitability in the Performance of Duties by Corporate Officers”**

### **a) System for storage and management of information related to the performance of duties of corporate officers**

A corporate officer in charge of the storage and management of information has been appointed. Said corporate officer has taken steps to ensure confidential information is handled correctly. The “ENW Confidential Information Security Policy” and other rules for the storage and management of information related to the performance of duties by corporate officers have been prepared and workshops are held on an ongoing basis. The status of these measures is reported to the Board of Directors and Audit Committee.

### **b) Rules and other systems regarding management of the risks of loss in ENW**

The corporate officer responsible for internal control has introduced a system called control self-assessment (CSA), in which risks of loss in ENW are managed and self-assessed, thereby supporting risk management at all organizational levels including corporate officers, and the establishment and evaluation of internal control. Corporate officers use CSA and other means to identify important risks of loss (important risks) in duties to which they have been assigned (in Japan and abroad) and important risks at subsidiaries (in Japan and abroad). An appropriate system of management has thus been prepared and is under operation.

In particular, with regard to the risks of loss related to a number of departments that may result in significant loss to the Company, the Chief Financial Officer (finance), General Counsel (legal affairs), and corporate officer assigned to general affairs and environmental affairs (environment, disasters) bear the responsibility. Accordingly, they have created necessary rules, including rules concerning consolidated accounting, rules for the prevention of insider trading, and a business continuity plan. By posting them on the Company’s internal website and holding workshops, they take countermeasures, operate the rules, and ensure that the Company’s employees are thoroughly familiar with these rules.

In addition, the Risk Management Committee established by the corporate officer responsible for internal control centrally manages the status of risks of loss by ENW and the response to those risks, and promotes the establishment and maintenance of internal control.

### **c) System for ensuring that the duties of ENW are conducted efficiently**

The Company’s Board of Directors delegates a significant amount of the decision-making related to the execution of business to corporate officers. At the same time, the Board appropriately establishes the division of duties and mutual relationships between corporate officers. The Chief Talent Officer has established and thoroughly implemented decision-making procedures for important matters at ENW. These procedures define the drafter, parties to be consulted, person responsible for implementation, person responsible for the outcome etc., related to important matters at ENW to establish a system that enables such decision-making to be conducted efficiently. The procedures are reviewed and revised each year. Further, the corporate officers establish decision-making procedures for their assigned duties so that such duties are conducted efficiently. The status of important decision-making by corporate officers is reported to the Board of Directors as needed.



**d) System for ensuring that performance of duties by directors of ENW\* other than the Company and corporate officers and employees of ENW companies is in accordance with laws and the Articles of Incorporation**

The Chief Compliance Officer, who is also a corporate officer responsible for internal control, promotes compliance and the establishment of internal control and presides over internal audits.

Compliance is promoted by establishing and putting into practice a compliance program.

With regard to internal control, all corporate officers establish, develop, and operate internal controls within the scope of their responsibilities in accordance with the Internal Control Policy established by the corporate officer responsible for internal control.

Aiming to support the internal controls established, developed, and operated by corporate officers, the Corporate Compliance and Risk Management Department works to (1) reduce everyday operational risks by assessing important company-wide risks through interviews with all corporate officers and (2) implementing CSA for all ENW department managers. For CSA, Eisai has established a regional management organization or appointed a regional manager in the Japan, Americas, Europe, Asia, and China regions to globally promote internal control through support for risk management.

Internal audits are conducted by the Corporate Internal Audit Department and the internal audit departments of each region from an objective point of view and independently from the audited organization. The results of all internal audits are periodically reported to the Board of Directors, Executive Board, and Audit Committee. (See page 72 for details on internal audits.)

A corporate officer who is confirmed to be in compliance with laws, regulations and the Articles of Incorporation in regards to specialized areas specific to a pharmaceutical company is appropriately appointed.

**e) System for reporting to the Company about matters related to execution of duties of officers and employees of ENW companies other than the Company**

The Company determines the corporate officer to be assigned to oversee, supervise, or manage ENW companies through the division of duties. The corporate officer assigned to be in charge of ENW companies has established a system for receiving reports from ENW, through decision-making procedures provided for each ENW company, attendance at important meetings, periodic reports, etc. The corporate officer in charge reports the status of ENW companies to the Board of Directors as needed.

## **(7) Compliance Risk Management**

The Chief Compliance Officer, who is also the corporate officer responsible for internal control, heads the Corporate Compliance and Risk Management Department and the Corporate Internal Audit Department, and promotes compliance and risk management.

### **(1) Promotion of Compliance**

Eisai defines compliance as the “observance of legal and ethical standards” and positions it at the core of management activities. We implement the Group’s compliance program: delivering the message of the top management, establishing a system for promoting compliance, developing a code of conduct and rules, running educational activities, and providing consultation services. Compliance promotion activities periodically undergo objective reviews by a Compliance Committee made up of external experts such as lawyers and consultants from inside and outside Japan.

\* ENW (Eisai Network companies) refers to the corporate group composed of Eisai Co., Ltd., and its subsidiaries and associated companies.

### a) Educational activities to foster an awareness of compliance

The Group has issued a “Compliance Handbook,” which outlines the ENW Charter of Business Conduct and the code of conduct for all officers and employees. The handbook is available in 17 languages. In addition, each year, all executives and employees commit to understanding and adhering to the contents of the “Compliance Handbook.”

In addition, in FY2017, we issued a “Code of Conduct for Business Partners” which describes the behavior we expect from all business partners and their employees, and have implemented it globally.

Further, Group companies in Japan have created a “Compliance Card” for all officers and employees to carry with them. The card includes contact information for the Compliance Counter, etc.

In addition, training continues to be implemented through means such as hosting workshops (including compliance workshops designed for officers), e-learning, and communication of case studies, in order to foster an awareness of compliance.

### b) Transactions between Related Parties

In order to prevent interested parties of the Company, including its directors, corporate officers, and employees, from abusing their position to harm the interests of the Company or the common interests of shareholders, the Company’s “Anti-Bribery and Anti-Corruption Policy of Eisai Network Companies (ENW)” contains provisions prohibiting conflict-of-interest transactions, giving of benefits to shareholders, and bribery. Directors, corporate officers, and employees are made thoroughly familiar with the content through compliance training, etc.

The existence of transactions between the Company and its major shareholders as well as the nature of such transactions are appropriately supervised by the Company’s Board of Directors, and subjected to periodic audits by the Audit Committee. In addition, in an effort to prevent conduct that runs counter to the interests of the Company and its shareholders, the Company’s Board of Directors stipulates and discloses in the Detailed Rules of the Board of Directors that transactions competitive to the Company and transactions that conflict with the interests of the Company by directors and corporate officers require the approval of the Board of Directors. In addition, material facts related to such transactions must be reported appropriately to the Board of Directors.

### c) Compliance Awareness Survey

In FY2017, we conducted a compliance awareness survey at ENW companies around the world. In the survey, we analyzed and evaluated the awareness of compliance had by each ENW company employee and the status of their related activities. We are using the findings to further enhance our compliance program.

### d) Use of the Compliance Counter

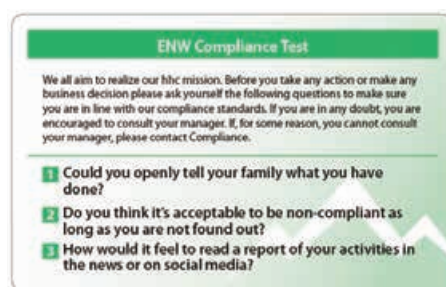
The Compliance Counter serves as a point of contact for the whistle-blowing system in ENW and is set up globally, including Japan, the United States, Europe, China, and Asia.

### e) Reporting to the Audit Committee

The status of operation of the Compliance Counter, including the number of consultations and contacts received, is reported monthly to the Audit Committee.



Compliance Handbook



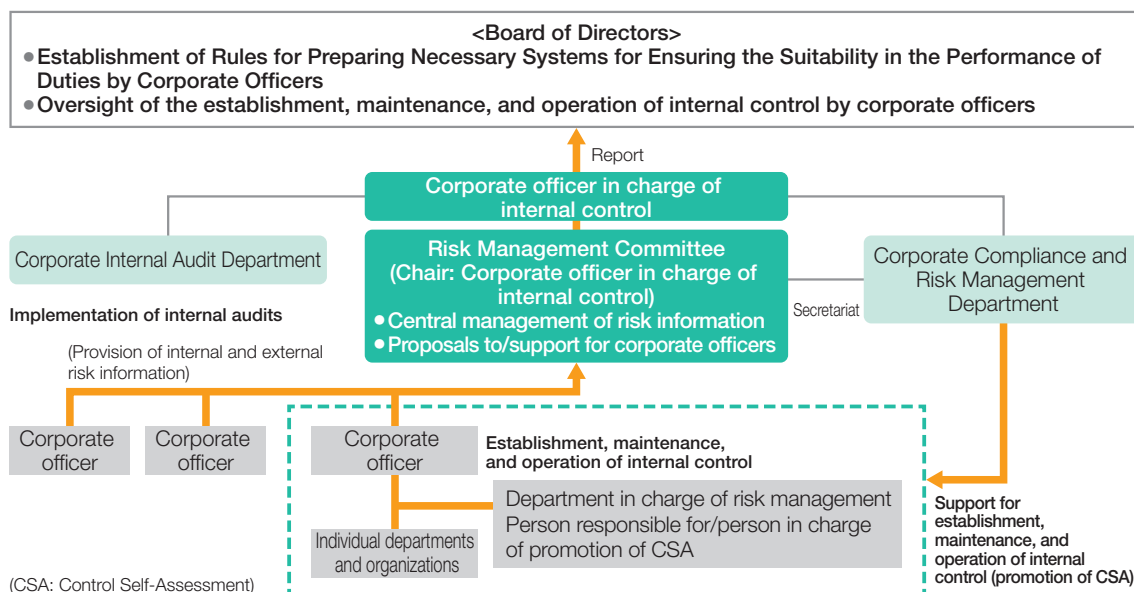
Compliance Card

A system is established to ensure highly important matters reported to the Chief Compliance Officer and/or the Compliance Counter are immediately reported to the Audit Committee.

## (2) Promotion of Risk Management

Eisai's Board of Directors has established the "Rules for Preparing Necessary Systems for Ensuring the Suitability of the Performance of Duties by Corporate Officers" in accordance with the stipulations of the Companies Act. The Rules stipulate that all corporate officers are to identify risks in their assigned duties, and build, maintain, and operate internal control. Accordingly, the corporate officer responsible for internal control has established "ENW\* Companies internal control policies," promotes the creation, maintenance, and operation of internal control throughout the Group, and works to manage risks within the allowable range.

### Eisai Risk Management Structure



#### a) Identification of risks and promotion of prompt and efficient response to risks

The Risk Management Committee centrally manages all risks identified by corporate officers and department managers which are important risks. The Committee constantly monitors outside corporate scandals, etc., identifies the Company's potential risks at an early stage, and implements activities to prevent those risks from being actualized, and otherwise responds promptly to risks.

#### b) Internal audit activities based on international standards

Unlike audits performed by the Audit Committee and accounting audits conducted by the Accounting Auditor, internal audits are conducted voluntarily. The Company conducts internal audits globally, covering Japan, Europe, the United State, China, and Asia, etc., through the Corporate Internal Audit Department, which was established under the supervision of the corporate officer responsible for internal control, in cooperation with the internal audit departments of each region. These internal audits are intended to evaluate from an independent and objective standpoint whether the duties of each corporate officer are executed properly and efficiently. The audit results are reported to the Executive

\* ENW (Eisai Network companies) refers to the corporate group composed of Eisai Co., Ltd., and its subsidiaries and associated companies.

Board and Audit Committee. To ensure the audits are of a high quality that meets global standards, each year the internal audit departments receive evaluations by an external evaluation committee composed of outside experts. These evaluations are conducted according to international standards developed by The Institute of Internal Auditors (IIA), which is headquartered in the United States.

### (3) Strengthening of Data Integrity

Aiming to strengthen the assurance of reliability of product quality, in January 2018, the Company appointed a corporate officer assigned to data integrity and a Chief Quality Officer and established the Data Integrity Promotion Committee. We will ensure the reliability and accountability of data, the major prerequisites of quality, by conducting education and training for employees who handle data from R&D and production departments, etc., and by inspecting/building a data governance structure, including the chain of command and data record management, etc.

## Charter of Business Conduct of Eisai Network Companies

We give first thoughts to patients and their families. We strive to increase the benefits that healthcare provides them and we conduct our business to meet their diversified healthcare needs worldwide. As a *Human Health Care* (“*hhc*”) company, we develop and provide products and services that contribute to the well-being of patients and their families under any healthcare system.

It is an integral part of our corporate mission that we exercise good business judgment and act in a proper manner, in compliance with all relevant laws and ethical standards. These principles are essential to the company's existence and are given top priority in all corporate activities.

We hereby establish our Charter of Business Conduct as a statement of our commitment to compliance. Eisai's officers, directors and managers recognize that it is their role to lead by example by implementing the content and spirit of this Charter in all the work they do and in supervising those who work with them. By adhering to this Charter, they will inspire and encourage everyone to apply these standards in all their activities. Everyone is expected to abide by the content and spirit of this Charter.

### Eisai and its stakeholders

1. We promote mutual respect and trust in our business relationships including healthcare providers, shareholders, investors, employees, business partners, patients and communities
2. We do not tolerate bribery or any other form of corrupt business behavior
3. We compete fairly
4. We appropriately manage information and ensure our records are accurate, complete, fair and secure
5. We communicate with stakeholders, and appropriately disclose corporate information in a timely manner
6. We act in accordance with the principles of fairness, respect, and non-discrimination in the workplace and provide a safe work environment for our employees

### Eisai and society

7. We comply with all relevant laws and regulations of each country in which we do business and we conduct ourselves with the highest level of integrity
8. We respect human rights and prevent, within the scope of our business, modern slavery such as child labor, forced labor and human trafficking, while we take into consideration the cultures and customs of the countries where we operate
9. We are a “good corporate citizen” and support and encourage activities that contribute to society
10. We maintain fair and transparent relations with political and government entities
11. We shall not enter into, or to the extent we become aware we shall sever, relations with organized crime groups
12. We promote best practices for environmental protection in our business activities

## 6. Utilization of Human Assets

In the Articles of Incorporation, the Company positions employees as important stakeholders and strives to ensure stable employment, provide worthwhile work, and improve opportunities for developing skills. In the realization of the *hhc* philosophy, the Company sees employees as important assets and refers to human resources as “human assets.”

The foundation of the Company’s human resources development is having each employee gain an understanding of the true needs of patients through sharing time with them. This generates motivation to innovate in ways that fulfill the needs of patients. The Company has incorporated sharing with patients in a variety of internal training programs and is strengthening human resources development.

### (1) Hiring and Development of Abilities

Eisai hires human resources who are highly motivated to implement the *hhc* concept. After employees are hired, the Company actively provides them with opportunities to develop their abilities and experience a variety of working styles, aimed at helping them develop into self-sufficient individuals who continue changing. These include career training based on age group, a mentoring system in which employees other than their direct organizational heads provide advice, etc., an internal internship system in which employees experience working in other departments, and an internal recruiting system.

### (2) Fostering Global Leaders

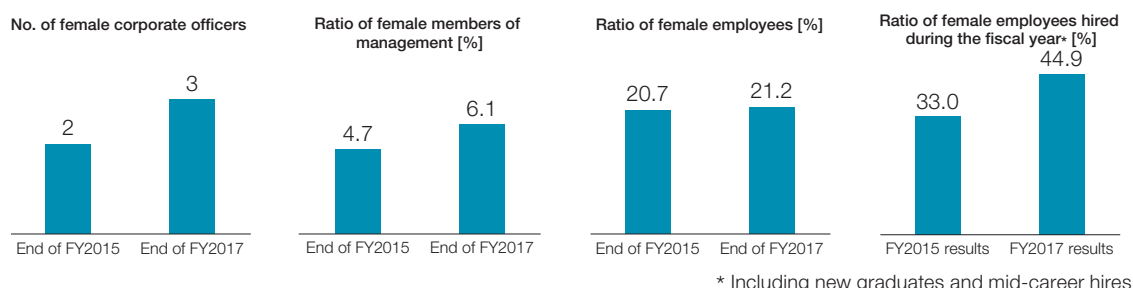
More than half of the Group’s approximately 10,000 employees work overseas. In order to provide as many employees as possible with opportunities to play an active role and develop their abilities across national boundaries, Eisai has a system of overseas work common to all of the countries, which includes conditions of employment such as overseas residency and prolonged overseas business trips. Employees from Japan, the United States, Europe, China, and Asia, who were selected through open recruitment or by appointment, undergo training with the objective of enhancing their cross-cultural job performance as well as building overseas human networks. Efforts focus on giving employees opportunities to experience working abroad and putting a select group of global leaders from around the world into training programs, as well as business schools (graduate schools of business administration) and law schools (graduate schools of law) both in Japan and abroad.

### (3) Promoting the Active Participation of Women

Eisai established the “Eisai Diversity Declaration” in October 2012, and since then has been working to cultivate an organizational climate that utilizes the differing values of employees in business. In the United States, Europe, and China, women hold about half of all management positions. In Japan, 21.2% of our employees are women, with 6.1% of all management positions held by women. With enforcement of the Act on Promotion of Women’s Participation and Advancement in the Workplace in April 2016, we will continue to implement selective training programs for female employees in order to help participants develop stronger views of their own careers and conduct other activities to double the April 2016 number of women in management positions by FY2020, and strive to have 10% of all management positions occupied by women.



## ● Results of efforts to promote the active participation of women (Eisai)



### (4) Creating Friendly Workplaces

The Group provides a workplace environment in which each employee's human rights and personalities are respected and they are not treated unfairly through discrimination or harassment, etc., based on race, sex, age, physical or mental disabilities, citizenship, religion, sexual orientation, marital status, or whether they have children. This concept is reflected in the hiring, development, and advancement of employees.

Having made "ensuring stable employment" a part of its Articles of Incorporation, the Company strives to create working environments where every employee can work toward achievement of the *hhc* philosophy with a rewarding sense of satisfaction. To enable all employees to achieve a fruitful work-life balance, the Company has also prepared flexible work systems, such as flextime and discretionary work, that respond to employees' job types. Systems for leaves of absence/time off for the purpose of providing childcare or nursing care for family members, and shortened working hours/at-home work systems for the purpose of providing childcare or nursing care for family members, for both men and women, have been enriched. The Group also offers systems that enable volunteer leave and donor leave, thereby supporting employees' contribution to society, as well as mental health care, and health guidance by industrial doctors. These efforts are directed toward the creation of a workplace environment in which each employee can work vibrantly.

### ● Examples of Eisai's Systems to Support Life Events and Self-fulfillment

|   |   |
|---|---|
| <b>Morning sickness leave</b>                     | Individuals for whom work becomes difficult due to morning sickness can take morning sickness leave up to 3 times per pregnancy, for a maximum total of 15 days.  |
| <b>Childcare leave</b>                            | Employees can take a leave of absence after maternity leave until the child reaches the age of 3.   |
| <b>Nursing care leave</b>                         | When it is necessary for an employee to care for a family member, he or she can take up to 1 year of leave, with up to 5 days of paid vacation per year.  |
| <b>Childcare/nursing care Short-time work</b>     | Employees can reduce daily working hours up to 2 hours per day for childcare/nursing care. Shortened working hours for childcare can be used until the March 31st following the child's 9th birthday. Flex-time can also be applied while using the short-time system, and working hours can be adjusted inside the relevant month. |
| <b>Childcare/nursing care At-home work system</b> | Employees can work at home 1 day per week for childcare/nursing care. Half-days off can be acquired and flextime can be used on those days as well.   |
| <b>Child nursing care leave</b>                   | When it is necessary for an employee to provide nursing care for a preschool-age child, or when it is necessary for an employee to take time off work to accompany a child to a medical examination or immunization, the individual can utilize paid vacation up to a total of 5 days per year.                                     |
| <b>Volunteer leave</b>                            | Employees can take up to 5 days of paid vacation per year to participate in volunteer activities related to medical, welfare, or environmental protection programs conducted by public organizations.   |
| <b>Donor leave</b>                                | Employees who donate bone marrow can take the required number of days of paid vacation for the period from donor registration to the physical examination after the bone marrow has been donated.   |



## (5) Relationship with the Labor Union

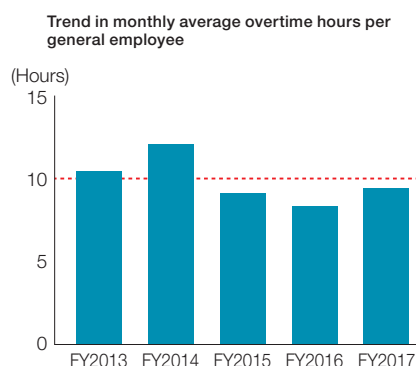
Since Eisai's founding, the Company has placed its employees as its most important assets, and has striven to maintain a good working environment that enables employees to focus on work with peace of mind, in a context of a healthy and equitable relationship between management and labor built on mutual understanding and trust. In recent years, discussions between management and labor have resulted in a shared recognition of the need to reform the awareness of workers and devise new measures as soon as possible. In light of this, we have continued to establish and maintain a good working environment, including things such as correcting long working hours, implementation of a work support system that enables employees who engage in childcare/nursing care to work from home 1 day per week, and a leave of absence system for employees who accompany a spouse who is stationed overseas, etc.

The Company and the labor union work together toward the shared goals of a prosperous Company and happy employees, with management and labor unified in a healthy relationship of trust and respecting each other's positions.

### Promotion of work-style reform

The Company agrees with the Japanese government's work-style reform being promoted toward achievement of the dynamic engagement of all citizens, and aims to help employees have abundant lives while at the same time increasing the Company's productivity.

In FY2017, the Company designated "improvement of long working hours," "teleworking and other flexible work-styles," "establishment of an environment in which it is easy for women to play an active role," and "improving the treatment of non-regular employees" (out of the 9 themes addressed by the government) as priority themes, and examined reform of the Company's work-styles while exchanging opinions and engaging in discussions with the labor union. In particular, efforts toward "improvement of long working hours" have been strengthened in recent years, and the average overtime hours per month of general employees has dropped to approximately 10 hours.



## (6) Status of Employees

### (1) The Group

(People)

|                        | March 31, 2017 | March 31, 2018 |
|------------------------|----------------|----------------|
| Japan                  | 5,009          | 4,914          |
| Americas               | 1,296          | 1,240          |
| China                  | 1,909          | 1,906          |
| EMEA                   | 983            | 1,022          |
| Asia and Latin America | 1,255          | 1,374          |
| <b>Total</b>           | <b>10,452</b>  | <b>10,456</b>  |

(Note) The number of employees refers to the number of regular staff members (excluding employees seconded from the Group to outside the Group, and including those seconded from outside the Group).

### (2) The Company

|                                     | March 31, 2017 | March 31, 2018 |
|-------------------------------------|----------------|----------------|
| <b>Number of employees (people)</b> | 3,246          | 3,172          |
| <b>Average age (years)</b>          | 44.3           | 44.7           |
| <b>Average years of service</b>     | 19.9           | 20.2           |

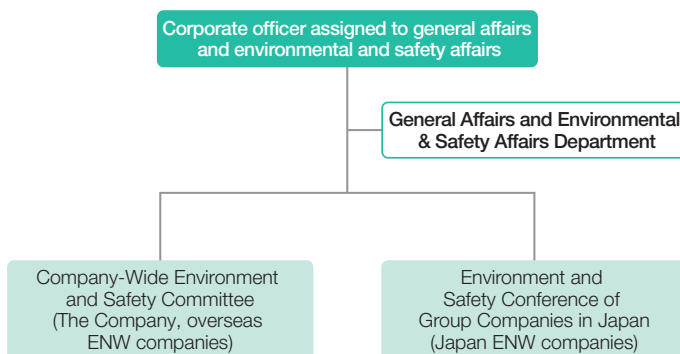
(Note) The number of employees refers to the number of regular staff members (excluding employees seconded from the Company to outside the Company, and including those seconded from outside the Company).

## 7. Consideration for the Environment

All of the Group's officers and employees share the same basic environmental philosophy and are conducting business activities in conformity with the Environmental Protection Guidelines, in accordance with the ENW\* Environmental Protection Policy.

### Environmental Management Systems

Working to reduce the impact that its business activities have on the environment, the Group establishes environmental management systems that promote the reduction of environmental impact.



- The Company-Wide Environment and Safety Committee deliberates and makes decisions on important matters relating to the environmental protection of the Company and overseas ENW Entities in order to promote activities on a global scale. The Group is also strengthening activities, both in Japan and overseas, for ascertaining environment-related risks and for establishing measures to reduce them.
- The Environment and Safety Conference of Group Companies in Japan shares information and promotes activities relating to the environmental-protection efforts by domestic ENW Entities.
- Each Group office establishes its own environmental management system, and the main production plants in both Japan and overseas locations conduct their activities in accordance with ISO14001 certification standards. The Group also confirms the validity of its environmental management systems through external inspections.
- Besides complying with environmental laws, ordinances, and agreements, the Group also conducts internal audits via a department specializing in internal auditing.

### Examples Abroad

The Vizag Plant in India, one of the Group's sites with ISO 14001 certification, is taking active steps in reducing the environmental impact of its business activities.

For its efforts, the Vizag Plant earned a 5-star rating—the highest-possible accolade—in the Confederation of Indian Industry's evaluation of corporate initiatives to improve environmental, health, and safety performance.



The 5-star trophy

\* ENW (Eisai Network companies) refers to the corporate group composed of Eisai Co., Ltd., and its subsidiaries and associated companies.



## Initiatives for the Formation of a Low-Carbon Society

To help prevent global warming, the Group is working to reduce its CO<sub>2</sub> emissions.

The Group aims to fulfill its own medium-term plan to reduce, by FY2020, CO<sub>2</sub> emissions of the domestic group in Japan by 23% as compared to the level of emissions in FY2005. Another goal is achievement of the Federation of Pharmaceutical Manufacturers' Associations of Japan's action plan for a low-carbon society.

### Main Initiatives

- Power saving at offices, visualizations of power savings, and other efforts to raise awareness of reducing power
- Renewal of power-saving equipment at main production plants and laboratories in Japan
- Switching sales vehicles to hybrid cars
- Purchase of wind-generated green power\*1



Wind power

\*1 Power generated from natural sources, such as wind, sunlight and geothermal heat

## Initiatives for the Formation of a Recycling-oriented Society

Eisai strives to utilize resources efficiently in order to protect the environment.

Aiming to reduce the amount of waste generated, increase the amount of recycled waste, and decrease the amount of waste sent to landfills, the Group is making an effort to enhance its waste-disposal measures. FY2017 will mark the 10th consecutive year that the Group has attained zero emissions.\*2

### Main Initiatives

- Reduction of wastepaper by digitizing meeting materials, etc.
- Reuse of devices and sale of wastepaper to promote recycling
- Recycling of scrap metal, glass bottles, and waste oil, etc.



Recycling bins

\*2 To reduce the ratio of waste sent to landfill to less than 1.0%.

## Management of Chemical Substances

In order to prevent environmental pollution, the Group implements proper management of chemical substances used in the research, development, and production of pharmaceutical products.

### Main Initiatives

- Proper management of PRTR substances\*3 handled, released into the environment, and transferred as waste
- Release control of volatile organic compounds\*4 at main production plants and laboratories in Japan
- Compliance with the Act on Rational Use and Proper Management of Fluorocarbons, including efforts to prevent leakage of fluorocarbons



Regular inspection of air-conditioning equipment for preventing fluorocarbon leakage

\*3 Harmful chemical substances subject to pollutant release and transfer notification requirements

\*4 Chemical substances that cause pollution and pose other health hazards when released into the environment

## Efficient Use of Water Resources

Eisai strives to use the water resources required for pharmaceutical manufacturing efficiently.

### Main Initiatives

- Ensuring the quality of water discharged from production plants and laboratories
- Reduction of industrial water use and reuse of waste water



A Japanese garden using waste water cleaned in the treatment facility at the Kawashima Plant

## Information Disclosure related to Environmental Activities

The Group actively discloses information on its efforts to reduce its environmental impact.

- CDP\* Climate Change Report 2017

Eisai earned a grade of B for its climate change measures.

 <https://www.cdp.net/en>

- Environmental Report 2017

Data on environmental activities, etc., can be found at:

 <https://www.eisai.com/ir/library/annual/pdf/epdf2017er.pdf>



Environmental Report 2017

\* A nonprofit organization based in London and operated by a partnership of institutional investors. The CDP asks companies with high aggregate market value in major countries to disclose information related to climate change, water, and forests, analyzes and evaluates the responses, and discloses the results to investors, companies, and governments.

## ENW\* Environmental Protection Policy

### Fundamental Environmental Protection Policy

ENW places global environmental protection as an important component of business operations and strive to maintain the environment.

### Environmental Protection Guidelines

1. ENW is aware of the "dignity and importance of nature" and adopts measures to maintain the global environment in all business operations.
2. ENW places environmental protection as a top priority at all stages of corporate activities, from research and development, production, distribution, and sales, to product usage and disposal.
3. ENW constructs and operates an environmental management system and promotes environmentally protective operations.
4. ENW complies with all applicable laws, regulations, and agreements concerning environmental protection, and each company implements voluntary standards that exceed the minimum standards set forth in the applicable laws, regulations, and agreements.
5. ENW actively introduces advanced environmental technology to be at the forefront of reducing environmental impacts.
6. ENW reduces usage of resources and energy as well as reduces or recycles waste products in all business operations.
7. ENW reduces usage and promotes the removal of chemical substances that cause environmental pollutant emissions, and prevents environmental pollution.
8. ENW shares the fundamental policy on environmental protection and implements educational training to strengthen specialties at each workplace progressively and continuously.
9. ENW actively discloses information on policies, objectives, programs, and results concerning environmental protection.

\* ENW (Eisai Network companies) refers to the corporate group composed of Eisai Co., Ltd., and its subsidiaries and associated companies.

## 8. Ties with Shareholders and Investors

The Company seeks to disclose important management- and finance-related information in a proactive, fair, equitable, timely, and easy-to-understand manner. At the same time, the Company also endeavors to increase its communications with all shareholders and investors.

### Dialogues with Individual Shareholders

#### Briefings for Individual Shareholders

- Held in Nagoya, Osaka, Hiroshima, and Fukuoka (October)
- A total of 840 shareholders attended at the 4 venues.
- The Representative Corporate Officer gave an overview of business and explained the management strategy, which was followed by Q&A.

Many questions were asked at each venue, regarding such topics as business performance, dividends, and the progress of products under development.

Those and other questions are answered in Q&A

Frequently Asked Questions found on pages 169 to 176.



The Osaka venue

#### Inquiries concerning the General Meeting of Shareholders and stock

Eisai Co., Ltd.

Stock Administration Group, General Affairs and Environmental & Safety Affairs Department

**0120-501-217**

(Open weekdays 9:00 A.M. to 5:00 P.M.; toll-free number)



### Dialogues with Institutional Investors

- Individual meetings in Japan and overseas (about 700 per year)
- Financial results presentations (quarterly; 4 times per year)
- Meeting of Integrated Report and ESG (October)  
Meeting geared toward analysts and institutional investors with strong interests in ESG, as well as the media
- Information Meeting (March)  
Explanation by the CEO to analysts and institutional investors about the management strategy
- Meetings with outside directors (January – February)

The Company proactively engages in dialogue with outside directors and institutional investors as required by the Corporate Governance Code. It was a significant meeting that deepened the mutual understanding of institutional investors and outside directors.



Information Meeting

## Notice of Convocation of the Ordinary General Meeting of Shareholders

- A full range of information presented visually and in color to make it easy to understand
- Sent about 4 weeks prior to the General Meeting of Shareholders to allow plenty of time to consider the proposals
- Published on the Tokyo Stock Exchange's and the Company's websites prior to mailing



Japanese-language version



English-language version

## Shareholder Notices

- Sent every November with documents related to interim dividends
- Includes an overview of 2nd-quarter results, the progress of products under development, and other topical issues



Shareholder notices

## Information Available on the Website

- IR information: Consolidated financial reports, annual securities reports, briefing materials, and videos, etc.
- Corporate information: Company overview, corporate governance, access to medicines, etc.
- CSR efforts: the Company's environmental policy and social contribution activities, etc.

Japanese-language website: <https://www.eisai.co.jp>

English-language website: <https://www.eisai.com>

- Integrated Report 2017:

A new tool that provides both financial and non-financial information

Japanese-language version:

<https://www.eisai.co.jp/pdf/annual/pdf2017ir.pdf>

English-language version:

<https://www.eisai.com/ir/library/annual/pdf/epdf2017ir.pdf>



Integrated Report 2017

## 9. Ties with People throughout Society

As a company with a far-reaching involvement in the fields of medicine and health, the Company conducts the following activities in hopes of forging stronger ties with patients, general customers, medical professionals, and local communities.

### Eisai *hhc* Hotline

In line with its *hhc* philosophy, the Company responds to inquiries from patients, general customers, and medical professionals 365 days a year. In FY2017, we received approximately 100,000 inquiries. We utilize a variety of comments and other input we receive to develop and improve our products and provide information and services.

#### Patients/General Customers

**0120-151-454**

Medicine prescribed at  
a hospital or clinic

**0120-161-454**

Medicine purchased at a  
drugstore, pharmacy, etc.

#### Medical Professionals

**0120-419-497**

- Reception: Weekdays 9:00 A.M. to 6:00 P.M. Saturday/Sunday/Holidays 9:00 A.M. to 5:00 P.M. (365 days a year); toll-free number

### Kawashima Plant Tour

Science and Industry Tours of the Kawashima Plant in Gifu Prefecture are available for the general public.

|               |   |
|---------------|---|
| Tour Days     | Tuesday - Friday                                |
| Duration      | 45 minutes to 2 hours<br>* Reservation required |
| No. of people | Groups of 10 or more                            |

\* 78 visiting groups in FY2017

### Naito Museum of Pharmaceutical Science and Industry

- Established on the grounds of the Kawashima Plant in June 1971, making it Japan's first comprehensive museum of medicine.
- On display at the museum facility are approximately 2,000 of the roughly 65,000 historical materials on medicine and about 62,000 related documents in the museum's collection.
- The adjacent pharmaceutical plant garden, open to the public, also cultivates 700 types of medicinal herbs and plants as well as 50 types of endangered medicinal herbs.
- The "Naito Museum of Pharmaceutical Science and Industry Orange Cafe" meets on a monthly basis to provide dementia patients and their families a place for the exchange of information.



|           |   |
|-----------|---|
| Closed    | Mondays and New Year Holiday                          |
| Hours     | 9:00 A.M. to 4:30 P.M.<br>* Last admission: 4:00 P.M. |
| Admission | Free  |

\* Nearly 40,000 visitors in FY2017

### Contact (Kawashima Plant tours/Naito Museum of Pharmaceutical Science and Industry)

1 Kawashima Takehayamachi,  
Kakamigahara-shi, Gifu Prefecture, 501-6195

**0586-89-2101**

(Naito Museum of Pharmaceutical Science and Industry)

 <http://www.eisai.co.jp/museum/english/index.html>

## 2 Business Progress and Results

### 1. Consolidated Performance (International Financial Reporting Standards)

#### (1) Revenue and Income

An increase was recorded following growth of Halaven and Lenvima (anticancer agents; product name for renal cell carcinoma indication in Europe: Kisplyx), Humira (fully human anti-TNF- $\alpha$  monoclonal antibody), and Fycompa (antiepileptic agent). In addition, the Company received upfront payments, etc., through a strategic alliance with Merck & Co., Inc., Kenilworth, N.J., U.S.A. This resulted in an overall total of ¥600.054 billion (up 11.3% year on year).

By segment, revenue from the Group's Japan pharmaceutical business increased, and China, EMEA, and Asia and Latin America pharmaceutical businesses each saw double-digit growth. By product, combined revenue from all 4 global brands increased by 25.4% year on year to ¥91.544 billion. This included ¥39.890 billion from Halaven, ¥32.231 billion from Lenvima, ¥14.654 billion from Fycompa, and ¥4.769 billion from BELVIQ (antiobesity agent).

We invested aggressively in R&D for development themes in the Alzheimer's disease area and the oncology area, such as the beta-secretase cleaving enzyme inhibitor E2609 (generic name: elenbecestat), but operating profit was exceeded by an increase in gross profit due to increased revenues. This resulted in operating income of ¥77.212 billion (up 30.7% year on year).

Profit for the year was ¥54.424 billion (up 28.8% year on year) and profit for the year attributable to owners of the parent came to ¥51.845 billion (up 31.7% year on year).

Basic earnings per share for the year attributable to owners of the parent amounted to ¥181.18 (up ¥43.55 year from the previous fiscal year).

Comprehensive income for the year, after adding (deducting) other comprehensive income to (from) profit for the year, rose to ¥53.801 billion (up 46.1% year on year).

#### Overview of Consolidated Income

(Billions of yen)

|  | FY2016 | FY2017 | Change from previous year (%) | Value change |
|--|--------|--------|-------------------------------|--------------|
| Revenue  | 539.1  | 600.1  | 111.3                         | 61.0         |
| Cost of sales  | 195.9  | 201.3  | 102.7                         | 5.3          |
| Selling, general and administrative expenses*            | 174.9  | 183.9  | 105.1                         | 8.9          |
| R&D expenses*  | 117.2  | 139.6  | 119.1                         | 22.4         |
| Operating profit   | 59.1   | 77.2   | 130.7                         | 18.1         |
| Profit before income taxes                               | 57.7   | 76.8   | 133.2                         | 19.1         |
| Profit for the year                                      | 42.2   | 54.4   | 128.8                         | 12.2         |
| Profit for the year attributable to owners of the parent | 39.4   | 51.8   | 131.7                         | 12.5         |

\* Beginning this fiscal year, we have clarified the definition of R&D expenses as part of expenses related to medical affairs activities such as the creation of scientific evidence and sharing with medical professionals, in order to indicate the actual state of management more appropriately. In conjunction with this, we have moved the amounts that had been included in selling, general and administrative expenses in the previous fiscal year to R&D expenses.

#### Consolidated Performance Indicators

|  |       | FY2016 | FY2017 | Change from previous year (%) |
|--|-------|--------|--------|-------------------------------|
| Dividend on equity attributable to owners of the parent ratio (DOE)    | (%)   | 7.4    | 7.3    | 98.4                          |
| Profit ratio to equity attributable to owners of the parent (ROE)      | (%)   | 6.8    | 8.8    | 129.5                         |
| Dividend payout ratio (DPR)  | (%)   | 109.0  | 82.8   | 76.0                          |
| Dividend per share (DPS)   | (Yen) | 150.0  | 150.0  | 100.0                         |
| Earnings per share attributable to owners of the parent (basic) (EPS)* | (Yen) | 137.6  | 181.2  | 131.6                         |

\* In the calculation of earnings per share attributable to owners of the parent, treasury stock (which is deducted from the calculation of the average number of shares during the fiscal year) includes shares of Company stock held in a trust account.



## (2) Assets, etc.

Total assets were ¥1,049.031 billion (up ¥18.267 billion from the end of the previous fiscal year, due to an increase of cash and cash equivalents, which included that in conjunction with reception of upfront payments from Merck (U.S.A.) and reimbursement for R&D expenses.

Total liabilities were ¥434.932 billion (up ¥6.759 billion from the end of the previous fiscal year) despite repayment of long-term borrowings, due to recording of a reimbursement of R&D expenses from Merck (U.S.A.) as deposits received.

Total equity was ¥614.098 billion (up ¥11.508 billion from the end of the previous fiscal year) despite a decrease in exchange differences brought on by a strong yen, due to an increase in retained earnings resulting from an increase in profit.

As a result of the above, the ratio of equity attributable to owners of the parent was 56.6% (down 0.1 percentage point from the end of the previous fiscal year).

### Consolidated Statement of Financial Position

(Billions of yen)

|  | March 31, 2017 | Ratio (%) | March 31, 2018 | Ratio (%) | Value change |
|--|----------------|-----------|----------------|-----------|--------------|
| <b>Total assets</b>                                | 1,030.8        | 100.0     | <b>1,049.0</b> | 100.0     | 18.3         |
| <b>Total liabilities</b>                           | 428.2          | 41.5      | <b>434.9</b>   | 41.5      | 6.8          |
| <b>Borrowings</b>                                  | 213.5          | 20.7      | <b>173.1</b>   | 16.5      | (40.3)       |
| <b>Total equity</b>                                | 602.6          | 58.5      | <b>614.1</b>   | 58.5      | 11.5         |
| <b>Equity attributable to owners of the parent</b> | 584.6          | 56.7      | <b>593.6</b>   | 56.6      | 9.0          |

## (3) Capital Expenditures

The Group is continually making capital investments to strengthen and streamline production facilities in order to increase product quality and reduce manufacturing costs as well as to strengthen R&D capabilities.

Capital expenditures for FY2017 amounted to ¥11.891 billion, an increase of ¥2.186 billion year on year, most of which was the result of upgrading and expanding logistics and production facilities in Japan and China.

## (4) Financing and Main Suppliers of Loans to the Group

Borrowings ended the fiscal year at ¥173.141 billion (an increase of ¥40.333 billion from the previous fiscal year). The main suppliers of loans to the Group are as follows.

### Borrowings

| Company name        | Lender                                 | March 31, 2018 |
|---------------------|--|----------------|
| The Company         | Syndicate Loan                         | ¥115.0 billion |
|                     | Sumitomo Life Insurance Company        | ¥5.0 billion   |
|                     | Mizuho Bank, Ltd.                      | ¥5.0 billion   |
|                     | The Bank of Tokyo-Mitsubishi UFJ, Ltd. | ¥5.0 billion   |
| Eisai Inc. (U.S.A.) | The Bank of Tokyo-Mitsubishi UFJ, Ltd. | \$300 million  |

## (5) Cash Flow

Net cash provided by operating activities amounted to ¥149.649 billion (down ¥73.797 billion from the previous fiscal year). Profit before income taxes was ¥76.803 billion, depreciation and amortization were ¥26.183 billion, and operating capital was down ¥62.966 billion (of which, deposits received increased to ¥46.963 billion).

Net cash used in investing activities amounted to an inflow of ¥17.040 billion (outflow of ¥28.596 billion from the previous fiscal year). This was mainly due to repayment of time deposits exceeding 3 months accompanying repayment of long-term borrowings. Capital expenditures, etc., were ¥12.976 billion.

Net cash used in financing activities amounted to ¥81.850 billion (up ¥46.410 billion from the previous fiscal year). Repayment of long-term borrowings was ¥50.0 billion, and payment of dividends was ¥42.929 billion.

As a result, cash and cash equivalents as of the end of this fiscal year stood at ¥270.525 billion (up ¥83.750 billion from the end of the previous fiscal year).

Free cash flows (cash flow from operating activities less capital expenditures, etc.) for the year stood at ¥136.673 billion.

### Highlights from Consolidated Cash Flow

(Billions of yen)

|   | FY2016 | FY2017 | Value change |
|---|--------|--------|--------------|
| Net cash provided by operating activities | 75.9   | 149.6  | 73.8         |
| Net cash used in investing activities     | (28.6) | 17.0   | 45.6         |
| Net cash used in financing activities     | (35.4) | (81.9) | (46.4)       |
| Cash and cash equivalents at end of year  | 186.8  | 270.5  | 83.7         |
| Free cash flow*                           | 81.7   | 136.7  | 55.0         |

\* Free cash flow

= (Net cash provided by operating activities) - (capital expenditure, etc. (cash base))

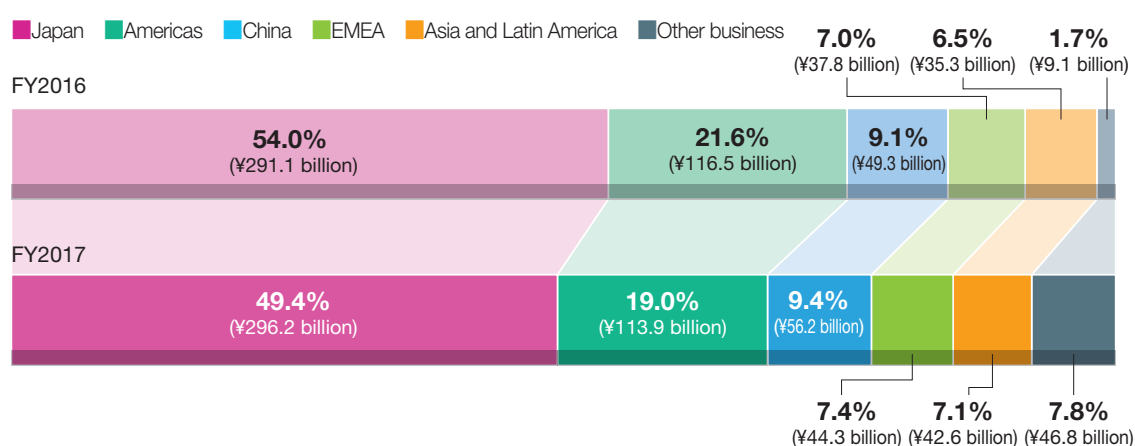


## (6) Data by Operating Segment

The Group's business is comprised of pharmaceutical business and other businesses. The pharmaceutical business is organized into the following 5 reporting segments in this report: Japan (Prescription Medicines, Generics, and OTC), Americas (North America), China, EMEA (Europe, the Middle East, Africa, and Oceania), and Asia and Latin America (South Korea, Taiwan, Hong Kong, India, ASEAN, and Central/South America, etc.).

As of January 1, 2018, Mexico, Brazil, and other Latin American countries have been moved from Americas pharmaceutical business and consolidated with Asia pharmaceutical business to create the new Asia and Latin America pharmaceutical business. The relevant changes have been reflected in segment information for the pre-change period of the current fiscal year and the previous fiscal year. These changes have no major impact.

### Sales Revenue by Segment

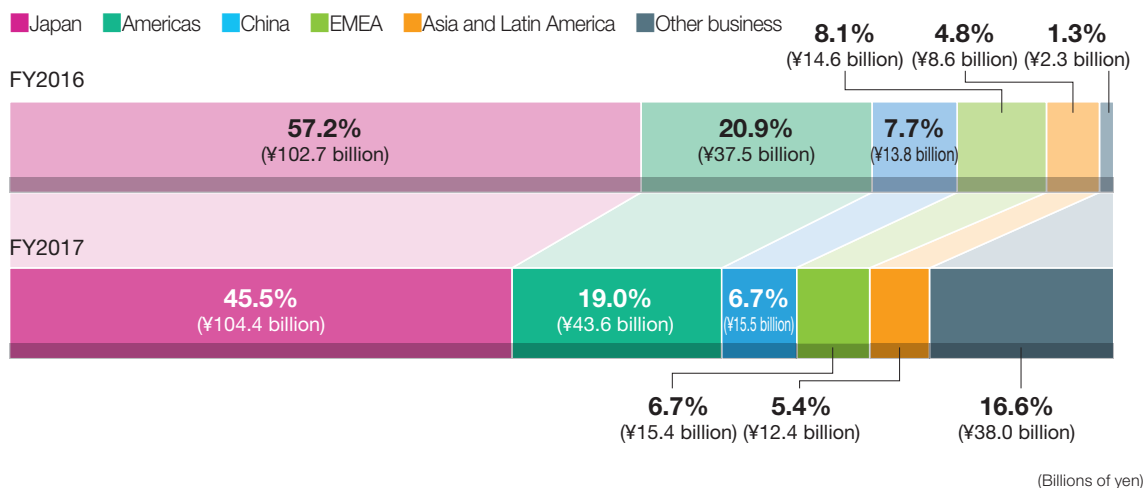


(Billions of yen)

|  | FY2016 | Ratio (%) | FY2017 | Ratio (%) | Change from previous year (%) | Value change |
|--|--------|-----------|--------|-----------|-------------------------------|--------------|
| <b>Pharmaceutical businesses (reporting segment)</b> | 530.0  | 98.3      | 553.2  | 92.2      | 104.4                         | 23.3         |
| Japan pharmaceutical business                        | 291.1  | 54.0      | 296.2  | 49.4      | 101.8                         | 5.1          |
| Americas pharmaceutical business                     | 116.5  | 21.6      | 113.9  | 19.0      | 97.8                          | (2.6)        |
| U.S.A. pharmaceutical business                       | 115.7  | 21.5      | 112.9  | 18.8      | 97.6                          | (2.8)        |
| China pharmaceutical business                        | 49.3   | 9.1       | 56.2   | 9.4       | 114.1                         | 7.0          |
| EMEA pharmaceutical business                         | 37.8   | 7.0       | 44.3   | 7.4       | 117.1                         | 6.5          |
| Asia and Latin America pharmaceutical business       | 35.3   | 6.5       | 42.6   | 7.1       | 120.7                         | 7.3          |
| <b>Other businesses</b>                              | 9.1    | 1.7       | 46.8   | 7.8       | 512.6                         | 37.7         |
| <b>Consolidated revenue</b>                          | 539.1  | 100.0     | 600.1  | 100.0     | 111.3                         | 61.0         |
| Overseas sales ratio (%)                             | 45.2   |           | 49.6   |           |                               | 4.4          |

(Note) Revenues by segment are to external customers.

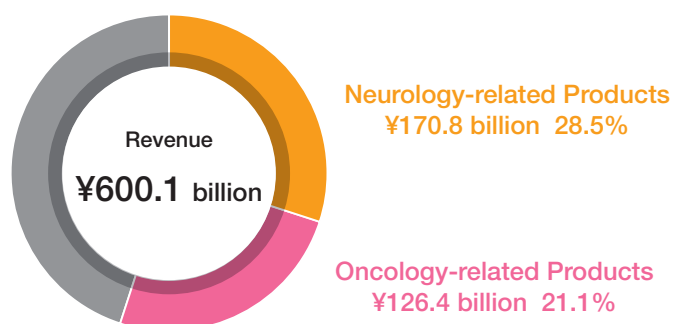
## Income by Segment



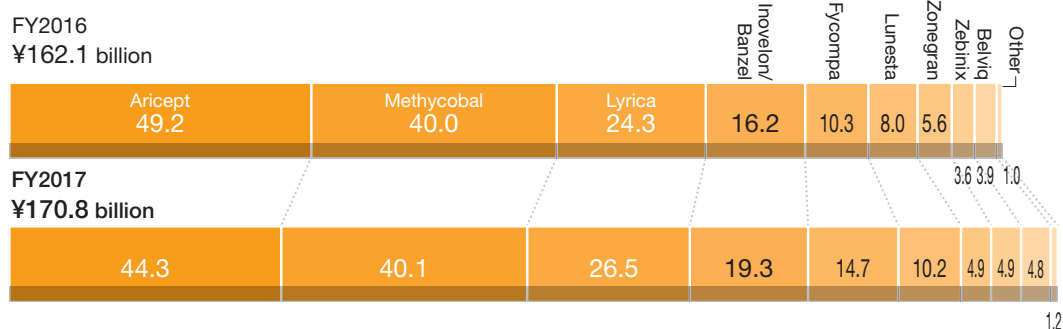
|   | FY2016  | Ratio (%) | FY2017  | Ratio (%) | Change from previous year (%) | Value change |
|---|---------|-----------|---------|-----------|-------------------------------|--------------|
| Pharmaceutical businesses (reporting segment)     | 177.2   | 98.7      | 191.4   | 83.4      | 108.0                         | 14.1         |
| Japan pharmaceutical business                     | 102.7   | 57.2      | 104.4   | 45.5      | 101.7                         | 1.7          |
| Americas pharmaceutical business                  | 37.5    | 20.9      | 43.6    | 19.0      | 116.3                         | 6.1          |
| China pharmaceutical business                     | 13.8    | 7.7       | 15.5    | 6.7       | 111.7                         | 1.6          |
| EMEA pharmaceutical business                      | 14.6    | 8.1       | 15.4    | 6.7       | 105.7                         | 0.8          |
| Asia and Latin America pharmaceutical business    | 8.6     | 4.8       | 12.4    | 5.4       | 145.0                         | 3.9          |
| Other businesses                                  | 2.3     | 1.3       | 38.0    | 16.6      | 1,656.3                       | 35.7         |
| R&D expenses                                      | (117.2) |           | (139.6) |           | 119.1                         | (22.4)       |
| Head office management expenses of parent company | (12.6)  |           | (12.6)  |           | 99.9                          | 0            |
| Gain from bargain purchases                       | 9.3     |           | —       |           | —                             | (9.3)        |
| Gain on sales of investments in subsidiaries      | 0.1     |           | —       |           | —                             | (0.1)        |
| Consolidated operating income                     | 59.1    |           | 77.2    |           | 130.7                         | 18.1         |

## (7) Revenue of Major Products

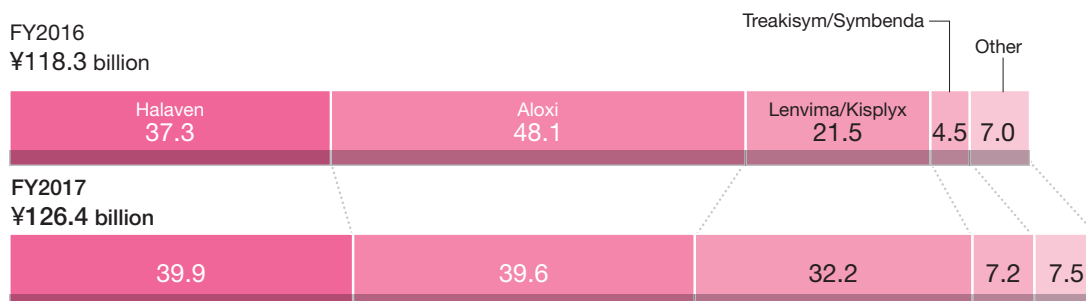
The Group has positioned Neurology (Nervous system) and Oncology (Cancer) as the 2 major strategic areas. The ratio of sales revenue is as follows.



### (a) Neurology



### (b) Oncology



## 2. Financial Position and Profit/Loss Status

The Company has been preparing its consolidated financial statements under International Financial Reporting Standards (IFRS). The table below uses IFRS-based accounting terms. <sup>(Note)</sup>

### Consolidated Management Indicators

| Category  |                   | FY2014<br>(103rd Fiscal Year) | FY2015<br>(104th Fiscal Year) | FY2016<br>(105th Fiscal Year) | FY2017<br>(106th Fiscal Year) |
|---|-------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| Revenue   | (Billions of yen) | 548.5                         | 547.9                         | 539.1                         | 600.1                         |
| Operating profit  | (Billions of yen) | 28.3                          | 51.9                          | 59.1                          | 77.2                          |
| Profit for the year   | (Billions of yen) | 43.5                          | 55.0                          | 42.2                          | 54.4                          |
| Profit for the year attributable to owners of the parent            | (Billions of yen) | 43.3                          | 54.9                          | 39.4                          | 51.8                          |
| Total equity  | (Billions of yen) | 602.1                         | 576.8                         | 602.6                         | 614.1                         |
| Total assets  | (Billions of yen) | 1,053.8                       | 974.0                         | 1,030.8                       | 1,049.0                       |
| Equity per share attributable to owners of the parent*1             | (Yen)             | 2,096.39                      | 2,006.22                      | 2,043.55                      | 2,073.50                      |
| Dividend per share (DPS)<br>(of which, interim dividends per share) | (Yen)<br>(Yen)    | 150<br>(70)                   | 150<br>(70)                   | 150<br>(70)                   | 150<br>(70)                   |
| Earnings per share (basic)*2 (EPS)                                  | (Yen)             | 151.57                        | 192.23                        | 137.63                        | 181.18                        |
| Earnings per share (diluted)*2                                      | (Yen)             | 151.37                        | 191.76                        | 137.41                        | 180.97                        |
| Ratio of equity attributable to owners of the parent                | (%)               | 56.8                          | 58.9                          | 56.7                          | 56.6                          |
| Profit ratio to equity attributable to owners of the parent (ROE)   | (%)               | 7.7                           | 9.4                           | 6.8                           | 8.8                           |
| Price-to-earnings ratio (PER)                                       | (Times)           | 56.31                         | 35.22                         | 41.88                         | 37.43                         |
| Dividend payout ratio (DPR)   | (%)               | 99.0                          | 78.0                          | 109.0                         | 82.8                          |
| Dividend on equity attributable to owners of the parent ratio (DOE) | (%)               | 7.6                           | 7.3                           | 7.4                           | 7.3                           |
| Net debt equity ratio*3 (Net DER)                                   | (Times)           | 0.00                          | (0.06)                        | (0.11)                        | (0.27)                        |
| Net cash provided by operating activities                           | (Billions of yen) | 76.0                          | 95.6                          | 75.9                          | 149.6                         |
| Net cash used in investing activities                               | (Billions of yen) | (18.8)                        | (6.7)                         | (28.6)                        | 17.0                          |
| Net cash used in financing activities                               | (Billions of yen) | (59.7)                        | (72.9)                        | (35.4)                        | (81.9)                        |
| Cash and cash equivalents at end of year                            | (Billions of yen) | 173.3                         | 179.3                         | 186.8                         | 270.5                         |
| Free cash flows   | (Billions of yen) | 61.3                          | 81.2                          | 81.7                          | 136.7                         |

(Note) The equivalents of IFRS-based terms under accounting principles generally accepted in Japan are as follows: Revenue = Net Sales; Profit before income taxes = Income before income taxes and minority interests; Profit for the year = Net income; Total equity = Total net assets; Earnings per share (basic) = Earnings per share; and Equity attributable to owners of the parent = Shareholder's equity.

\*1 In the calculation of equity attributable to owners of parent per share, treasury shares (which are deducted from the number of outstanding shares at the end of the period) include Company shares held in a trust account.

\*2 In the calculation of basic earnings per share attributable to owners of the parent and diluted earnings per share, treasury shares (which are deducted from the calculation of the average number of shares during the fiscal year) include Company shares held in a trust account.



\*3 The Company uses the following formula to calculate the debt-to-equity ratio.

$$\text{Net debt equity ratio (Net DER)} = \frac{\text{interest-bearing debt (bonds and borrowings)} - \text{cash and cash equivalents} - \text{time deposits exceeding 3 months, etc.} - \text{investment securities held by the parent}}{\text{Total equity attributable to owners of the parent}}$$

### 3. Major R&D Pipeline

An overview of the main progress from April 2017 through the end of April 2018 in regard to products under development carried out by the Group is given below.



#### Neurology (Nervous system)




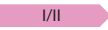












| Development code | Product name   | Generic name   | Indications/Drug class  |
|------------------|--|--|---|
| E2020            | Aricept  | donepezil  | Treatment for Alzheimer's disease / dementia with Lewy bodies <span>Oral</span>                       |
|                  |   | <b>Description:</b> Increases levels of the neurotransmitter acetylcholine in the brain by inhibiting the enzyme acetylcholinesterase from breaking down acetylcholine, thereby slowing the overall progression of symptoms associated with Alzheimer's disease (AD). Currently approved in more than 100 countries around the world for the treatment of mild to moderate AD. Also approved as a treatment for patients with severe AD in numerous countries including the United States, Japan, Canada, and several other Asian and Latin American countries. Approved in Japan, the Philippines and Thailand for dementia with Lewy bodies. |   |
| E2007            | Fycompa  | perampanel   | Antiepileptic agent / AMPA receptor antagonist <span>Oral</span>                                      |
|                  |  | <b>Description:</b> A selective antagonist against the AMPA receptor (a glutamate receptor subtype). Approved as an adjunctive therapy for partial-onset seizures in over 55 countries including Japan, the United States, in Europe and in Asia. Also approved as an adjunctive therapy for primary generalized tonic-clonic seizures in over 50 countries including Japan, the United States, in Europe and in Asia. In the United States, an oral suspension formulation has been approved and is being marketed.   |   |
| E2006            | —  | lemborexant  | Orexin receptor antagonist <span>Oral</span>  |
| E2609            | —  | elenbecestat   | Treatment for Alzheimer's disease / beta secretase cleaving enzyme (BACE) inhibitor <span>Oral</span> |
| BIIB037          | —  | aducanumab   | Treatment for Alzheimer's disease / anti-A $\beta$ antibody <span>Inj.</span>                         |
| BAN2401          | —  | —  | Treatment for Alzheimer's disease / anti-A $\beta$ protofibril monoclonal antibody <span>Inj.</span>  |
| ME2125           | —  | safinamide   | Anti-Parkinson's disease agent / MAO-B inhibitor <span>Oral</span>                                    |
| E2027            | —  | —  | Treatment for dementia with Lewy bodies / phosphodiesterase (PDE) 9 inhibitor <span>Oral</span>       |

(Note) In regard to E2020, development for regression symptoms in patients with Down syndrome has been discontinued at the Phase II stage in Japan.

| Condition/Indication, etc.   | Region   | Development Status |           |           |          |
|--|----------|--------------------|-----------|-----------|----------|
|  |          | Phase II           | Phase III | Filed     | Approved |
| Severe Alzheimer's disease (Additional indication)   | CN       |                    |           |           | 2017.11  |
| Monotherapy for partial-onset seizures (Additional indication)   | US       |                    |           |           | 2017.7   |
|  | JP       |                    |           |           |          |
| Lennox-Gastaut syndrome (Additional indication)  | JP/US/EU |                    |           |           |          |
| Pediatric epilepsy (Additional indication)   | US       |                    |           |           |          |
|  | JP/EU    |                    |           |           |          |
| Adjunctive therapy for partial-onset seizures  | CN       |                    |           | Preparing |          |
| Insomnia disorder<br>[Joint development with Purdue Pharma]  | JP/US/EU |                    |           |           |          |
| Irregular sleep-wake rhythm disorder associated with Alzheimer's disease<br>[Joint development with Purdue Pharma] | JP/US    |                    |           |           |          |
| Early Alzheimer's disease<br>[Joint development with Biogen Inc.]  | JP/US/EU |                    |           |           |          |
| Early Alzheimer's disease<br>[Joint development with Biogen Inc.]  | JP/US/EU |                    |           |           |          |
| Alzheimer's disease<br>[Joint development with Biogen Inc.]  | JP/US/EU |                    |           |           |          |
| Parkinson's disease  | JP       |                    |           | Preparing |          |
| Dementia with Lewy bodies  | JP/US/EU |                    | II/III    |           |          |




## Oncology (Cancer)

| Development code  | Product name      | Generic name  | Indications/Drug class   |
|---|-------------------|---|--|
| E7389   | Halaven           | eribulin  | Anticancer agent / microtubule dynamics inhibitor <span>Inj.</span>                |
|  |                   | <b>Description:</b> A synthetic analog of <i>halichondrin</i> B derived from the marine sponge, <i>Halichondria okadai</i> . Shows an antitumor effect by arresting the cell cycle through inhibition of the growth of microtubules. Approved in over 65 countries including Japan, the United States, and other countries in Europe and Asia for use in chemotherapy for breast cancer. Approved in over 45 countries including Japan, the United States and other countries in Europe and Asia for use in the treatment of liposarcoma (soft tissue sarcoma in Japan).  |  |
| E7080   | Lenvima / Kisplyx | lenvatinib  | Anticancer agent / molecular targeted drug <span>Oral</span>                       |
|  |                   | <b>Description:</b> Discovered and developed in-house, the agent is an orally administered multiple receptor tyrosine kinase (RTK) inhibitor that selectively inhibits the kinase activities of vascular endothelial growth factor receptors (VEGFR) and fibroblast growth factor receptors (FGFR) in addition to other proangiogenic and oncogenic pathway related RTKs (including the platelet-derived growth factor receptor (PDGFR), KIT and RET) involved in angiogenesis and tumor proliferation. Confirmed through X-ray crystal structural analysis to be the first compound to demonstrate a new binding mode (Type V) to VEGFR2, exhibiting rapid and potent inhibition of kinase activity, according to kinetic analysis. Approved for use in the treatment of thyroid cancer in over 50 countries including Japan, the United States and other countries in Europe and Asia. Also approved in combination with everolimus for use in the treatment of renal cell carcinoma (second-line) in over 40 countries including the United States and other countries in Europe. The agent is marketed under the product name Kisplyx only for this indication in Europe. |  |
| MORAb-003   | —                 | farletuzumab  | Anticancer agent / humanized anti-FRA monoclonal antibody <span>Inj.</span>        |
| MORAb-004   | —                 | —   | Anticancer agent / humanized anti-endosialin monoclonal antibody <span>Inj.</span> |
| MORAb-009   | —                 | amatuximab  | Anticancer agent / chimeric anti-mesothelin monoclonal antibody <span>Inj.</span>  |
| E7777   | —                 | —   | Anticancer agent / interleukin-2 diphtheria toxin fusion protein <span>Inj.</span> |
| E7438   | —                 | tazemetostat  | Anticancer agent / EZH2 inhibitor <span>Oral</span>                                |

| Condition/Indication, etc.   | Region          | Development Status  |  |   |   |
|--|-----------------|---|--|---|---|
|  |                 | Phase II  | Phase III  | Filed   | Approved  |
| Breast cancer  | CN              |   |  |  |   |
| Bladder cancer (Additional indication)   | US/EU           |    |  |   |   |
| Triple negative breast cancer<br>(in combination with anti-PD1 antibody pembrolizumab)<br>[Joint development with Merck & Co., Inc., Kenilworth, N.J., U.S.A.]   | US              |    |  |   |   |
| HER2-negative breast cancer<br>(in combination with PEGPH20)<br>[Joint development with Halozyme Therapeutics, Inc.]   | US              |    |  |   |   |
| Thyroid cancer<br>[Joint development with Merck & Co., Inc., Kenilworth, N.J., U.S.A.]   | CN              |   |  |   |   |
| Renal cell carcinoma/First-line (Additional indication)<br>[Joint development with Merck & Co., Inc., Kenilworth, N.J., U.S.A.]  | JP/US/EU        |   |  |   |   |
| Hepatocellular carcinoma (Additional indication)<br>[Joint development with Merck & Co., Inc., Kenilworth, N.J., U.S.A.]   | JP              |   |  |   |  |
|  | US/EU/CN/AS     |   |  |  |   |
| Non-small cell lung cancer (RET translocations)<br>(Additional indication)<br>[Joint development with Merck & Co., Inc., Kenilworth, N.J., U.S.A.]   | JP/US/EU/<br>AS |    |  |   |   |
| Biliary tract cancer (Additional indication)<br>[Joint development with Merck & Co., Inc., Kenilworth, N.J., U.S.A.]   | JP              |  |  |   |   |
| Select solid tumors (Endometrial cancer,<br>renal cell carcinoma, head and neck cancer,<br>urothelial cancer, non-small cell lung cancer, melanoma)<br>(in combination with anti-PD1 antibody pembrolizumab)<br>[Joint development with Merck & Co., Inc., Kenilworth, N.J., U.S.A.] | US              |  |  |   |   |
| Platinum-sensitive ovarian cancer  | JP/US/EU        |  |  |   |   |
| Melanoma   | US/EU           |  |  |   |   |
| Mesothelioma   | US/EU           |  |  |   |   |
| Peripheral T-cell lymphoma and cutaneous T-cell lymphoma   | JP              |  |  |   |   |
| Non-Hodgkin B-cell lymphoma  | JP              |  |  |   |   |



## Gastrointestinal and Other Disorders

| Development code | Product name  | Generic name   | Indications/Drug class   |
|------------------|---|--|--|
| E3810            | Pariet AcipHex<br> | rabeprazole  | Proton pump inhibitor<br>Oral  |
|                  |   | <b>Description:</b> A proton pump inhibitor approved for the treatment of gastric and duodenal ulcers, reflux esophagitis, eradication of <i>Helicobacter pylori</i> infections and triple formulation packs (combination packs) for <i>H. pylori</i> eradication that include rabeprazole. Approved for the prevention of recurrent gastric or duodenal ulcer caused by low-dose aspirin therapy as well as 5 mg tablet formulation in December 2014.   |  |
| AJG511           | Rectabul<br>       | budesonide   | Ulcerative colitis treatment / locally-active steroid<br>Foam            |
|                  |   | <b>Description:</b> The first rectal foam product in Japan containing budesonide as active ingredient. Budesonide is a locally-active steroid and, thus, is expected to reduce systemic side effects. In addition, budesonide is a foam type product that can reach the inflamed sites of rectum and sigmoid colon by rectal administration, and has a characteristic feature of preventing leakage after administration. Budesonide rectal foam is already available on the market in Europe. |  |
| AJG533           | Goofice<br>      | elobixibat   | Chronic constipation treatment / bile acid transporter inhibitor<br>Oral |
|                  |   | <b>Description:</b> An orally available constipation treatment with a novel mechanism of action. AJG533 inhibits the bile acid transporter that regulates reabsorption of bile acids and thereby enhance natural defecation.   |  |
| AJM300           | —   | carotegrast methyl   | Ulcerative colitis treatment / $\alpha 4$ integrin antagonist<br>Oral    |
| AJG555           | —   | —  | Chronic constipation treatment / polyethylene glycol preparation<br>Oral |
| —                | Livact Granules   | isoleucine, leucine and valine granules  | Branched-chain amino acid formula<br>Oral                                |
| E6007            | —   | —  | Ulcerative colitis treatment / integrin activation inhibitor<br>Oral     |
| E6011            | —   | —  | Anti-fractalkine antibody<br>Inj.  |

| Condition/Indication, etc.  | Region | Development Status |           |       |          |
|---|--------|--------------------|-----------|-------|----------|
|   |        | Phase II           | Phase III | Filed | Approved |
| Maintenance therapy for proton pump inhibitor (PPI)-resistant reflux esophagitis 10 mg per dose twice daily<br>(Additional Dosage and Administration)<br>[Joint development with EA Pharma] | JP     |                    |           |       | 2017.9   |
| Ulcerative colitis<br>[Joint development by EA Pharma and Kissei Pharmaceutical]  | JP     |                    |           |       | 2017.9   |
| Chronic constipation<br>[Joint development by EA Pharma and Mochida Pharmaceutical]   | JP     |                    |           |       | 2018.1   |
| Ulcerative colitis<br>[Joint development by EA Pharma and Kissei Pharmaceutical]  | JP     |                    |           |       |          |
| Chronic constipation<br>[Joint development by EA Pharma and Mochida Pharmaceutical]   | JP     |                    |           |       |          |
| Hypoalbuminemia<br>[Joint development with EA Pharma]   | CN     |                    |           |       |          |
| Ulcerative colitis<br>[Development conducted by EA Pharma]  | JP     |                    |           |       |          |
| Rheumatoid arthritis  | JP     |                    |           |       |          |
| Primary biliary cholangitis<br>[Development conducted by EA Pharma]   | JP     |                    |           |       |          |
| Crohn's disease<br>[Development conducted by EA Pharma]   | JP     |                    |           |       |          |

## 4. Major Topics

2017

Apr.

### Eisai Launches Smell Identification Test UPSIT Series

Eisai launched a test kit that makes it possible to detect and track changes in physical condition and psychological state by objectively measuring smell identification ability. The test kit is available for sale to health insurance pharmacies and local governments.



### Eisai to Continue Support for Elimination of Lymphatic Filariasis

Eisai announced continued support for the elimination of lymphatic filariasis at an event marking the 5th anniversary of the London Declaration on Neglected Tropical Diseases, an international public-private partnership.



©WHO

Jun.

### Eisai to Support the Global Health Innovative Technology Fund

Eisai will grant ¥500 million to the Global Health Innovative Technology Fund, the first public-private partnership of its kind in Japan, to help accelerate development of new medicines to cure infectious diseases in developing and emerging countries.

Jul.

### U.S. FDA Approves Additional Use of Antiepileptic Drug Fycompa as Monotherapy for Partial-onset Seizures

Fycompa became the first antiepileptic drug to receive approval from the U.S. Food and Drug Administration (FDA) as monotherapy use for the treatment of partial-onset seizures in accordance with the FDA's new regulatory pathway.



Sep.

### Eisai Launches Me-MAMORIO Tracking Tool to Support People Going Out

By providing family members or care workers with positional data via the Internet, Me-MAMORIO will help realize a society where people with dementia and seniors can freely go out in the town they are used to living in.



Oct.

### Eisai Signs Exclusive Licensing Agreement for Latin America

The signing of an exclusive licensing agreement with Biotoscana, which is developing a strong portfolio that includes oncology products in Latin America, will enable the Group to swiftly expand access to oncology and neurology products in the region.

### Expansion of the Alliance Agreement for Development and Promotion of Next-generation Alzheimer's Disease Treatments

Eisai expands the alliance agreement for development and promotion of next-generation Alzheimer's disease treatments with Biogen, and exercises option rights for co-development/co-promotion of aducanumab (generic name).



Nov.

### Eisai Receives IT Business Award for Medication Administration Support Device e-OKUSURI-SAN

The award was received from the Japan Institute of Information Technology. e-OKUSURI-SAN was recognized as having provided new value to home care patients and nursing care professionals with its ability to help prevent patients from forgetting to take medicine or overdosing, and to support remote confirmation of a patient's record of medicine administration.



Dec.

### Eisai Joins the UN Global Compact

Eisai will comply with the 10 universal principles in the areas of human rights, labor, the environment, and anti-corruption, and accelerate efforts in relation to the Sustainable Development Goals (SDGs).

### Eisai Launches Materials for Dementia Education for Elementary and Secondary School Students in Japan

Eisai commenced marketing educational DVDs and textbooks to local governments, educational institutions, and others for helping elementary and secondary school students to understand dementia and think about what one can do. These materials contain basic knowledge on the aging society and dementia, as well as points on how to interact with people with dementia.



### Eisai Completes Construction of Oral Solid Dose Production Facility at New Suzhou Plant in China

The new Suzhou plant, established on a site more than 5 times larger than the current Suzhou plant (OSD production facility), will further strengthen the stable supply chain of products including Methycobal and Aricept.



2018

Feb.

### Dementia Support Insurance to Provide for Dementia Launched in Japan

Eisai and Saint-Plus Small Amounts and Short Term Insurance Co., Ltd. jointly developed a dementia diagnosis lump-sum insurance Dementia Support, which allows beneficiaries to submit an application even after becoming certified as requiring long-term care, and this product was launched by Saint-Plus.

Mar.

### Eisai Enters Global Strategic Oncology Collaboration

Eisai entered into collaboration with Merck & Co., Inc., Kenilworth, N.J., U.S.A. regarding the joint development and commercialization of anticancer agent Lenvima, both as monotherapy and in combination with Merck's anti-PD-1 antibody KEYTRUDA. The companies will jointly develop and commercialize the drug to support 11 potential indications in renal cell carcinoma and 6 other types of cancer, expediting patient access worldwide.

### Anticancer Agent Lenvima Approved for Additional Indication of Unresectable Hepatocellular Carcinoma (HCC) in Japan

Lenvima was approved for the first time in Japan for the front-line treatment of unresectable HCC in approximately 10 years. This is the first such approval worldwide. Treatment options for unresectable HCC have been limited, making this an area of high unmet medical need.



### 3 Risk Factors

Risks that could cause significant fluctuations in the consolidated results of the Group or have a material effect on investment decisions are as follows. These risks, however, have been evaluated and forecasted as of the disclosure date of this Business Report.

|   |   |
|---|---|
| <b>Risks related to product safety and quality</b>  | If there is any concern over the safety and quality of raw materials or the manufacturing process, the health of patients and the stable supply of products may be affected, and the Group may take actions such as conducting a recall, or suspending sales, which may have an impact on business results.   |
| <b>Risks related to occurrences of side effects</b> | If a product is found to have any serious side effects, there may be a serious impact on performance due to the Group taking measures such as suspending product sales or conducting a product recall.  |
| <b>Risks related to lawsuits</b>                    | Results of pending or future lawsuits may have a significant impact on the Group's business results.  |
| <b>Risks related to laws and regulations</b>        | As the Group's pharmaceutical business is subject to various laws and regulations, including pharmaceutical regulations and product liability, enactment of a law or changes in the regulations may have a significant impact on business results. In the event regulatory nonconformity is found in a product, the Group may issue a product recall, have the product's marketing approval revoked, have the product excluded from insurance reimbursement, or face liability claims.  |
| <b>Risks related to intellectual property</b>       | If a patent application is dismissed, a patent is found to be invalid after it is issued, or if there is a failure to properly protect a patent, competitors may enter the market earlier than expected, which could potentially lead to a decrease in revenues. Additionally, if the business activities of the Group infringe on the intellectual property rights of a third party, the Group may face liability claims as a result of the third party in question exercising its rights.   |
| <b>Uncertainties in new drug development</b>        | The Group is developing candidates for the next-generation anti-Alzheimer's agent and many other new drugs. Drug development requires a long period of time and a large investment of capital. Development of a drug candidate substance may be discontinued due to shortcomings in its effectiveness or safety profile. Even if clinical trials yield favorable results, it is possible that approval may not be granted based on the results of a country's stringent regulatory process. Further, as a result of the delay or discontinuation of development of a new drug, future expected profits may not be achieved.   |
| <b>Impact of medical cost containment measures</b>  | In Japan, the government enacts price revisions for prescription drugs and is adopting measures such as the promotion of generic drugs as part of its efforts to control medical costs. Efforts to reduce drug costs are intensifying year after year in the United States as well as in countries in both Europe and Asia. These kinds of measures aimed at controlling medical costs may lead to a drop in revenues. Especially in Europe, even if marketing approval is obtained for a product, the product may not be eligible for health insurance reimbursement at the expected price and so there is a possibility that original projected earnings may not be achieved. |
| <b>Risks related to generic products</b>            | Originator drugs have a limited patent and data protection period. It is common for generic makers to launch generic products upon the expiration of the patent and data protection period of the originator drug. Additionally, in countries such as the United States, an application for a generic product is accepted even during the patent term. Generic products may have a significant impact on market share because of their low price. In the United States, a federal court of appeals finalized the ruling that the patent for the antiemetic Aloxi was invalid, and generic versions were placed on the market.   |
| <b>Risks related to overseas operations</b>         | The Group conducts production/sales activities for products around the world. However, there are risks such as legal restrictions, socio-political uncertainty, and business environment uncertainty in its global business activities. In the event the Group faces such risks, there is a possibility that original projected earnings may not be achieved.   |

|   |  |
|---|--|
| <b>Risks in alliances with other companies</b>                            | The Group considers partnerships to be an effective means of improving efficiency and productivity. Partnerships may be established with the aim of utilizing the latest science and technology, or with the aim of efficient resource usage and maximization of product value in each region. In the event of changes to these partnerships, there is a possibility that it will have a significant impact on business results, including new drug discovery and revenues.  |
| <b>Risks associated with acquisitions of companies and product lines</b>  | The Group uses acquisitions of companies and products as a means to expand its business operations. However, changes in the business environment or the status of rival companies may lead to setbacks in the business plan, and there is a possibility that the originally intended synergistic effect may not be realized.   |
| <b>Risks associated with outsourcing</b>                                  | The Group outsources part of its operations, including research and production, to other companies. If a subcontractor ceases operations for some reason or there is a problem with the provided research findings or products, etc., there is a possibility that it will have a significant impact on the Group's operations and business results.  |
| <b>Risks concerning IT security and information management</b>            | Since the Group makes full use of various IT systems for business, its operations may be disrupted due to external factors such as inadequate system infrastructure and computer viruses. In addition, the Group faces the risk of technical accidents that involve personal information leakage outside of the Group, which may considerably damage the Group's social reputation and significantly impact business results.  |
| <b>Risks concerning internal control systems for financial reporting</b>  | In accordance with assessment and audit standards as well as implementation standards for internal controls pertaining to financial reporting as mandated by the Financial Instruments and Exchange Act of Japan, the Group establishes effective internal control systems related to financial reporting and strives to appropriately manage those systems. However, major losses that arise due to the malfunction of internal control systems or occurrence of unexpected problems related to internal control systems may have a significant impact on business results. |
| <b>Risks related to financial market conditions and currency movement</b> | The effect of foreign exchange fluctuations on the yen conversion of sales of overseas consolidated subsidiaries as well as export and import transactions and other foreign currency transactions may also impact business results. Furthermore, as the Group holds stocks and other marketable securities, a decline in the stock market could result in losses on sales or devaluation of stocks and other securities. In addition, an increase in projected benefit obligations due to changes in the interest rate may have an impact on business results.              |
| <b>Risks related to plant closure or shutdown</b>                         | The Group's plants may be closed or shut down due to technical problems, raw material shortages, influenza and other pandemics, fire, earthquakes and other natural disasters. In such cases, the supply of products may become difficult and can significantly impact business results.   |
| <b>Environmental risks</b>  | If one of the Group's business offices is the cause of environmental pollution, there may be significant impact on the surrounding region and the environment, and the Group may be required to close the office or be subject to other legal action, improve the environment, or pay compensation to the surrounding region, etc., thereby having a serious impact on business results.   |
| <b>Risks concerning disasters</b>   | The occurrence of disasters, including natural disasters, such as earthquakes and typhoons, as well as accidents, such as fires, could result in large-scale damage to business facilities and impact the business activities of the Group. In addition, repairs to facilities damaged by these disasters may cause the Company to incur significant expenses and have a major impact on business results.   |



## 4 Status of Major Contracts

As of March 31, 2018, the major contracts are as follows. The product names indicated are those under which the products are sold in major countries.

### 1. Technology Imports

| Company name                           | Party to contract                          | Date of conclusion | Contract content  | Contract period   |
|--|--|--------------------|---|---|
| Eisai Co., Ltd.                        | Toyama Chemical Co., Ltd.                  | September 30, 1998 | Joint development of and marketing alliance for the T-614 rheumatoid arthritis agent (product name: Careram; generic name: iguratimod)  | From the conclusion of the contract until September 11, 2022  |
|  | AbbVie Deutschland GmbH & Co. KG (Germany) | June 16, 1999      | Development and sale of the anti-TNF- $\alpha$ monoclonal antibody Humira (generic name: adalimumab) in Japan, Taiwan, and South Korea  | From the conclusion of the contract until 15 years following receipt of marketing authorization   |
|  | Eurand (Italy)                             | May 2, 2003        | Import of Nitorol R (generic name: isosorbide dinitrate) and the manufacturing and sale of formulations thereof   | 10 years from the conclusion of the contract; renewed every 2 years thereafter  |
|  | Novartis AG (Switzerland)                  | February 6, 2004   | License for worldwide development, manufacturing, and sale of the antiepileptic agent Inovelon (generic name: rufinamide)   | In each country, from the conclusion of the contract until the patent expiration date or until 10 years from the start of marketing, whichever is later           |
|  | Sunovion Pharmaceuticals Inc. (U.S.A.)     | July 26, 2007      | Exclusive license for the development and marketing of the insomnia treatment Lunesta (generic name: eszopiclone) in Japan  | From the conclusion of the contract until 15 years following receipt of marketing authorization or until 15 years following NHI price listing, whichever is later |
|  | BioArctic Neuroscience AB (Sweden)         | December 3, 2007   | Exclusive license for worldwide research and development, manufacturing, and sale of the anti-A $\beta$ protofibrils antibody BAN2401 for the treatment of Alzheimer's disease  | From the conclusion of the contract until 15 years following the commencement of sales in each country  |
| Eisai Co., Ltd.<br>EA Pharma Co., Ltd. | Minophagen Pharmaceutical Co., Ltd.        | February 29, 2016  | Exclusive development and sales rights of the liver disease/allergic disease agents Stronger Neo-Minophagen C (glycyrrhizic acid, compound formulation) and Glycyron Tablets (glycyrrhizic acid, compound tablet) in Japan and other Euro-Asian countries where the products have not yet been sold, and exclusive first negotiation rights in China and other Euro-Asian countries where the products are already sold | From the conclusion of the contract until March 31, 2023  |

| Company name        | Party to contract                   | Date of conclusion | Contract content   | Contract period  |
|---------------------|-------------------------------------|--------------------|--|--|
| Eisai Co., Ltd.     | SymBio Pharmaceuticals Limited      | August 18, 2008    | Exclusive license regarding the co-development and marketing of the anticancer agent Treakisym (generic name: bendamustine) in Japan                                   | From the conclusion of the contract until 10 years after the commencement of sales   |
| Eisai Inc. (U.S.A.) | Helsinn Healthcare SA (Switzerland) | April 6, 2001      | License for the antiemetic Aloxi (generic name: palonosetron) in the United States and Canada (succeeded to via the January 28, 2008, acquisition of MGI Pharma, Inc.) | From the conclusion of the contract until January 30, 2024   |
|                     | FORMA Therapeutics, Inc. (U.S.A.)   | November 15, 2010  | A research affiliation relating to the FORMA Therapeutics, Inc. compound library/screening platform and a license on the resulting chemical compounds                  | From the conclusion of the contract until the date of the end of the affiliation or the date of the end of royalty payment, whichever is later |

## 2. Technology Exports

| Company name    | Party to contract    | Date of conclusion | Contract content  | Contract period   |
|-----------------|----------------------|--------------------|---|---|
| Eisai Co., Ltd. | Pfizer Inc. (U.S.A.) | October 5, 1994    | Comprehensive cooperation for a strategic alliance concerning the E2020 anti-Alzheimer's agent (marketed as Aricept: generic name: donepezil) | From the conclusion of the contract until July 17, 2022<br>However, expired in Japan on December 31, 2012 |

## 3. Sales Contracts

| Company name             | Party to contract                     | Date of conclusion | Contract content   | Contract period  |
|--------------------------|---------------------------------------|--------------------|--|--|
| Eisai Co., Ltd.          | Kyorin Pharmaceutical Co., Ltd.       | July 30, 2003      | Sales of the Maxalt (generic name: rizatriptan) migraine treatment in Japan                                      | From the conclusion of the contract until January 31, 2022 |
|                          | Pfizer Inc. (U.S.A.)                  | September 24, 2009 | Co-promotion agreement in Japan for the pain treatment agent Lyrica (generic name: pregabalin)                   | From the conclusion of the contract until July 17, 2022    |
| Eisai Europe Ltd. (U.K.) | BIAL - Portela & Ca., S.A. (Portugal) | February 19, 2009  | Marketing license and co-promotion for the antiepileptic agent Zebinix (generic name: eslicarbazepine) in Europe | 12 years from the conclusion of the contract               |

## 4. Joint Venture

| Company name    | Party to contract | Date of conclusion | Contract content   | Contract period   |
|-----------------|-------------------|--------------------|--|---|
| Eisai Co., Ltd. | Bracco (Italy)    | November 30, 1990  | Joint venture concerning the manufacturing and sales of Iomeron (generic name: iomeprol) and other contrast media in Japan | From the conclusion of the contract until December 31, 2024 |



## 5. Strategic Collaboration, etc.

| Company name        | Party to contract                       | Date of conclusion | Contract content   | Contract period  |
|---------------------|---|--------------------|--|--|
| Eisai Co., Ltd.     | Quintiles Inc. (U.S.A.)                 | October 29, 2009   | Strategic collaboration related to the development of 6 anticancer drug candidate compounds  | From the conclusion of the contract until the day all planned clinical studies are completed or ended  |
|                     | World Health Organization (Switzerland) | January 30, 2012   | Provision of 2.2 billion DEC (generic name: diethylcarbamazine) tablets to the WHO free of charge to support its program to eliminate lymphatic filariasis   | 7 years from 2013 or the date of WHO's completion of the preliminary review of DEC, whichever is later   |
| Eisai Co., Ltd.     | Biogen (U.S.A.)                         | March 4, 2014      | 1. Co-development/ co-promotion of the BACE inhibitor E2609 (generic name: elenbecestat) and anti-amyloid $\beta$ ( $A\beta$ ) protofibril antibody BAN2401, which are under development by Eisai Co., Ltd., and co-development/ co-promotion of the anti- $A\beta$ antibody BIIb037 (generic name: aducanumab) under development by Biogen<br>2. Acquisition of option rights related to co-development/ co-promotion of an anti-tau antibody under development by Biogen | On a product-by-product/ country-by-country basis as follows, whichever is the later of 1) or 2)<br>1) 12 years from the date of the first commercial sales<br>2) The earlier of the patent expiration date or the launch date of a generic product  |
| Eisai Inc. (U.S.A.) | Purdue Pharma L.P. (U.S.A.)             | August 28, 2015    | Co-development/co-promotion of the dual orexin receptor antagonist E2006 (generic name: lemborexant) discovered by Eisai Co., Ltd.   | From the conclusion of the contract until the latest of the following 1) through 6) on a country-by-country basis<br>1) 10 years after the commencement of sales<br>2) The substance patent expiration date<br>3) The date of loss of exclusivity according to applicable regulations<br>4) The final day of co-development<br>5) 7 years after a new indication is acquired or the commencement of sales of a new formulation<br>6) The date on which sales fall below a set figure (U.S.A. only) |
| Eisai Co., Ltd.     | U.S. Merck                              | March 7, 2018      | Co-development and co-promotion of Lenvima as monotherapy and in combination with anti-PD-1 antibody Keytruda for a number of cancer types   | From the conclusion of the contract until March 31, 2036   |

## 5 Status of Major Subsidiaries (as of March 31, 2018)

| Company name                             | Location              | Common stock      | Percentage of voting rights held (%) | Main business lines  |
|--|-----------------------|-------------------|--------------------------------------|--|
| Elmed Eisai Co., Ltd.                    | Toshima-ku, Tokyo     | ¥150 million      | 100.00                               | Pharmaceutical sales   |
| KAN Research Institute, Inc.             | Chuo-ku, Kobe         | ¥70 million       | 100.00                               | Pharmaceutical research and development                              |
| EA Pharma Co., Ltd.                      | Chuo-ku, Tokyo        | ¥9,145 million    | 60.00                                | Pharmaceutical research and development/production/sales             |
| Eisai Corporation of North America, Inc. | New Jersey, U.S.A.    | US\$2,767 million | 100.00                               | U.S. holding company   |
| Morphotek Inc.                           | Pennsylvania, U.S.A.  | US\$355 million   | 100.00 (100.00)                      | Pharmaceutical research and development                              |
| Eisai Inc.                               | New Jersey, U.S.A.    | US\$152 million   | 100.00 (100.00)                      | Pharmaceutical research and development/production/sales             |
| H3 Biomedicine Inc.                      | Massachusetts, U.S.A. | US\$8,000         | 100.00 (100.00)                      | Pharmaceutical research and development                              |
| Eisai China Holdings Ltd.                | Jiangsu, China        | RMB664 million    | 100.00 (100.00)                      | China headquarters and holding company                               |
| Eisai China Inc.                         | Jiangsu, China        | RMB576 million    | 100.00 (100.00)                      | Pharmaceutical production/sales                                      |
| Eisai (Suzhou) Trading Co., Ltd.         | Jiangsu, China        | RMB70 million     | 100.00 (100.00)                      | Pharmaceutical sales   |
| Eisai Europe Ltd.                        | Hertfordshire, U.K.   | GBP184 million    | 100.00                               | European regional headquarters/holding company, pharmaceutical sales |
| Eisai Ltd.                               | Hertfordshire, U.K.   | GBP46 million     | 100.00 (100.00)                      | Pharmaceutical research and development/sales                        |
| Eisai Manufacturing Ltd.                 | Hertfordshire, U.K.   | GBP39 million     | 100.00 (100.00)                      | Pharmaceutical production  |
| Eisai GmbH                               | Frankfurt, Germany    | EUR8 million      | 100.00 (100.00)                      | Pharmaceutical sales   |
| Eisai S.A.S.                             | Paris, France         | EUR20 million     | 100.00 (100.00)                      | Pharmaceutical sales   |
| Eisai Farmacéutica S.A.                  | Madrid, Spain         | EUR4 million      | 100.00 (100.00)                      | Pharmaceutical sales   |
| Eisai Asia Regional Services Pte. Ltd.   | Singapore             | S\$34 million     | 100.00                               | Asian holding company  |
| Eisai (Thailand) Marketing Co., Ltd.     | Bangkok, Thailand     | THB103 million    | 100.00 (100.00)                      | Pharmaceutical sales   |
| Eisai Taiwan Inc.                        | Taipei, Taiwan        | T\$270 million    | 100.00                               | Pharmaceutical sales   |
| Eisai Korea Inc.                         | Seoul, South Korea    | KRW3,512 million  | 100.00                               | Pharmaceutical sales   |
| Eisai Pharmaceuticals India Pvt. Ltd.    | Andhra Pradesh, India | INR2,708 million  | 100.00 (11.08)                       | Pharmaceutical research and development/production/sales             |

(Note) Numbers shown in parentheses in the "Percentage of voting rights held" column represent indirect percentages.

## 6 Major Affiliated Companies and Sites (as of March 31, 2018)

The Group is made up of the Company, 44 consolidated subsidiaries, and 1 equity-method affiliate.

An outline of businesses, major affiliated companies, and sites is given below.

| Business segment<br>(Primary products)                                      | Region                       | Function  | Major affiliated companies and sites   |
|---|------------------------------|---|--|
| Pharmaceutical<br>business<br>(Prescription<br>medicines)<br>(OTC products) | Japan                        | <div>S</div> <div>P R</div> <div>P R</div> <div>R</div>                           | The Company<br>(Communication Offices)<br>Sapporo, Sendai, Tokyo, Nagoya, Osaka, Hiroshima, Fukuoka, etc.<br>Kawashima Plant (Gifu Prefecture)<br>Kashima Business Office (Ibaraki Prefecture)<br>Tsukuba Research Laboratories (Ibaraki Prefecture) |
|   | Japan                        | <div>S</div> <div>R</div> <div>S P R</div>  | Elmed Eisai Co., Ltd. (Tokyo)<br>KAN Research Institute, Inc. (Hyogo Prefecture)<br>EA Pharma Co., Ltd. (Tokyo)  |
|   | Americas                     | <div>H</div> <div>R</div> <div>S P R</div> <div>R</div>                           | Eisai Corporation of North America, Inc. (U.S.A.)<br>Morphotek Inc. (U.S.A.)<br>Eisai Inc. (U.S.A.)<br>H3 Biomedicine Inc. (U.S.A.)  |
|   | China                        | <div>H</div> <div>S P</div> <div>S</div>  | Eisai China Holdings Ltd. (China)<br>Eisai China Inc. (China)<br>Eisai (Suzhou) Trading Co., Ltd. (China)  |
|   | EMEA                         | <div>H S</div> <div>S R</div> <div>P</div> <div>S</div> <div>S</div> <div>S</div> | Eisai Europe Ltd. (U.K.)<br>Eisai Ltd. (U.K.)<br>Eisai Manufacturing Ltd. (U.K.)<br>Eisai GmbH (Germany)<br>Eisai S.A.S. (France)<br>Eisai Farmacéutica S.A. (Spain)   |
|   | Asia and<br>Latin<br>America | <div>H</div> <div>S</div> <div>S</div> <div>S</div> <div>S P R</div>              | Eisai Asia Regional Services Pte. Ltd. (Singapore)<br>Eisai (Thailand) Marketing Co., Ltd. (Thailand)<br>Eisai Taiwan Inc. (Taiwan)<br>Eisai Korea Inc. (South Korea)<br>Eisai Pharmaceuticals India Pvt. Ltd. (India)                               |
| Other<br>businesses   | Japan                        |   | The Company<br>Sunplanet Co., Ltd. (Tokyo)   |

**H**: Headquarters company   **S**: Sales office   **P**: Production plant   **R**: Research and Development site

## 7 Other Significant Items

In March 2018, the Company and Nichi-Iko Pharmaceutical entered into a strategic alliance agreement as well as a share transfer agreement for a capital and business alliance, aiming to reform business models for generics. Both companies will promote cooperation in building the Company's Total Inclusive Ecosystem as well as collaboration on the active pharmaceutical ingredient business promoted primarily at the Group's Vizag Plant in India. Under the condition that certain progress will be achieved by the 2 companies in the strategic alliance agreement, the Company is scheduled to gradually transfer shares in its wholly owned subsidiary Elmed Eisai Co., Ltd. In April 2019, once all the transactions have been executed, Elmed Eisai Co., Ltd. will be a wholly owned subsidiary of Nichi-Iko. The Company transferred 20% of the outstanding shares issued in Elmed Eisai Co., Ltd. in April 2018.

## II. Status of Shares and Stock Acquisition Rights

### 1 Status of Shares (as of March 31, 2018)

**1. Authorized (common stock)** ..... 1,100,000,000 shares

**2. Issued** ..... 296,566,949 shares (including 10,228,499 shares of treasury stock)

**3. Number of shareholders**..... 60,948

#### ● Trends in Number of Shareholders over the Past 5 Years

| Fiscal year            | FY2013  | FY2014 | FY2015 | FY2016 | FY2017 |
|------------------------|---------|--------|--------|--------|--------|
| Number of shareholders | 106,981 | 66,190 | 59,996 | 62,335 | 60,948 |

### 4. Status of Shareholders

#### (1) Principal Shareholders

| Shareholders   | Number of shares held (1,000) | Percentage held of all shareholder voting rights (%) |
|--|-------------------------------|--|
| Japan Trustee Services Bank, Ltd. (trust account)  | 32,484                        | 11.35  |
| The Master Trust Bank of Japan, Ltd. (trust account)   | 28,872                        | 10.09  |
| JP Morgan Chase Bank 385147  | 16,719                        | 5.84   |
| Nippon Life Insurance Company  | 12,281                        | 4.29   |
| Saitama Resona Bank, Limited   | 7,300                         | 2.55   |
| Trust & Custody Services Bank, Ltd. as trustee for Mizuho Bank, Ltd. Retirement Benefit Trust Account re-entrusted by Mizuho Trust and Banking Co., Ltd. | 5,437                         | 1.90   |
| State Street Bank West Client - Treaty 505234  | 5,249                         | 1.83   |
| Japan Trustee Services Bank, Ltd. (trust account 5)  | 4,574                         | 1.59   |
| The Naito Foundation   | 4,207                         | 1.47   |
| Japan Trustee Services Bank, Ltd. (trust account 7)  | 3,805                         | 1.33   |
| Total  | 120,930                       | 42.28  |

(Note) 1 Numbers of shares are rounded down to the nearest thousand.

2 Indicates the top 10 shareholders in terms of percentage of the total number of outstanding shares (excluding treasury stock).

3 The 10,228,000 shares (3.45%) of treasury stock are not included in this table as they do not have voting rights.

4 Although the following Large Shareholding Report (revised report) was received before the end of the fiscal year, in cases in which it is impossible to make confirmation with the shareholder registry for the end of the fiscal year, or in which the number of shares held is not ranked among the top 10, it is not included in the table. Further, the holding percentage enclosed in parentheses is the percentage of the total number of outstanding shares (rounded down), including treasury stock.

a. Including the Mitsubishi UFJ Financial Group, Inc., all 4 companies jointly held 16,113,000 shares (5.43%) as of July 13, 2015 (July 21, 2015, Revised Report)

b. Including the Wellington Management Company, LLP, all 2 companies jointly held 27,087,000 shares (9.13%) as of July 31, 2015 (August 7, 2015, Revised Report)

c. Including Sumitomo Mitsui Trust Bank, Limited, all 3 companies jointly held 14,926,000 shares (5.03%) as of April 15, 2016 (April 21, 2016, Large Shareholding Report)

d. Including Mizuho Bank, Ltd., all 2 companies jointly held 18,900,000 shares (6.37%) as of October 14, 2016 (October 21, 2016, Large Shareholding Report)

e. Vanguard Health Care Fund held 14,838,000 shares (5.00%) as of November 24, 2016 (December 15, 2016, Large Shareholding Report)

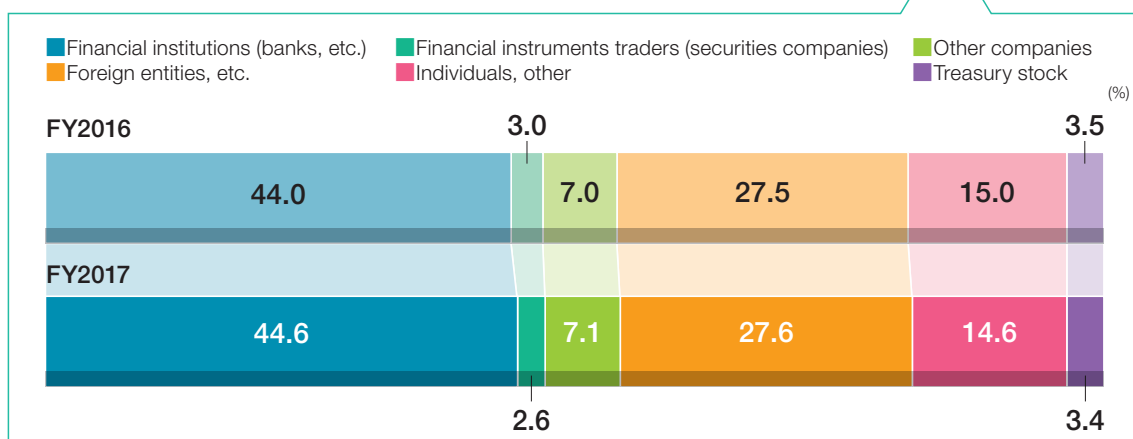
f. Including BlackRock Japan Co., Ltd., all 11 companies jointly held 18,308,000 shares (6.17%) as of August 15, 2017 (August 21, 2017, Large Shareholding Report)

g. Nomura Asset Management Co., Ltd. held 14,963,000 shares (5.05%) as of March 15, 2018 (March 22, 2018, Large Shareholding Report)

## (2) Shareholder Composition

|  | Number of shareholders |       |   | Number of shares      |       |   |
|--|------------------------|-------|---|-----------------------|-------|---|
|  | (No. of shareholders)  | (%)   | Change from the previous year (No. of shareholders) | (Thousands of shares) | (%)   | Change from the previous year (Thousands of shares) |
| Financial institutions (banks, etc.)                 | 145                    | 0.2   | (15)  | 132,334               | 44.6  | 1,926   |
| Financial instruments traders (securities companies) | 38                     | 0.1   | (25)  | 7,846                 | 2.6   | (967)   |
| Other companies                                      | 810                    | 1.3   | (10)  | 20,945                | 7.1   | 90  |
| Foreign entities, etc.                               | 707                    | 1.2   | 45  | 81,943                | 27.6  | 438   |
| Individuals, other                                   | 59,247                 | 97.2  | (1,382)   | 43,268                | 14.6  | (1,316)   |
| Treasury stock                                       | 1                      | 0.0   | —   | 10,228                | 3.4   | (171)   |
| Total  | 60,948                 | 100.0 | (1,387)   | 296,566               | 100.0 | —   |

### ● Trends in Ratio by Shareholder Type



## (3) Status of Treasury Stock

### (1) Trends in Treasury Stock Holdings over the Past 5 Years

(Number of shares)

| Fiscal year    | FY2013     | FY2014     | FY2015     | FY2016     | FY2017     |
|----------------|------------|------------|------------|------------|------------|
| Treasury stock | 11,202,048 | 10,869,758 | 10,555,842 | 10,399,676 | 10,228,499 |

### (2) Acquisition, Disposal, and Holding of Treasury Stock

|   |  |   | Number of shares | Total acquisition cost/<br>total disposal value<br>(Millions of yen) |
|---|--|---|------------------|--|
| Shares held at the end of the preceding fiscal year           |  |   | a 10,399,676     | —  |
| Acquired shares   | Acquisition of odd-lot shares  | b | 6,149            | 38   |
|   | Exercise of stock options (stock acquisition rights)   | c | 177,300          | 607  |
|   | Third party allocation in connection with the continuation of stock-based compensation system based on performance | d | —                | —  |
|   | Share increase for odd-lot shares  | e | 26               | 0  |
| Shares held at the end of the fiscal year (a + b - c - d - e) |  |   | 10,228,499       | —  |

(Note) During the fiscal year under review, there was no "treasury stock acquired as a result of a resolution of the Board of Directors as stipulated under the provisions of Article 459-1-1 of the Companies Act."

## (4) Status of the Company's Cross-shareholdings with Other Companies

### (1) Fundamental Policy Regarding Strategic Shareholding

The Company's fundamental policy regarding strategic shareholding is to use cross-shareholdings as a means of enhancing cooperation with other companies in ways that promote an increase in its own corporate value. Shareholdings are kept to the minimum necessary, and are reviewed as needed in light of the impact on increasing corporate value, etc. Stock that is judged to have little impact on increasing corporate value, etc., is sold while giving attention to the impact on the market and other aspects of business that should be considered. In addition, when exercising voting rights related to strategically held shares, the Company will vote in favor of proposals it judges will contribute to the increase of the value of shares held by the Company, and vote against proposals it judges will damage the value.

In FY2017, the Company sold strategically held shares in 9 stocks (selling all of its shares in 6 of the 9 stocks).

### (2) Status of the Company's Cross-shareholdings with Other Listed Companies

As of March 31, 2018, the Company had cross-shareholding relationships with 19 listed companies, with those companies holding a total of 10,362,000 shares in the Company (3.49% of outstanding shares).

The breakdown by industry and principal corporate shareholders of Eisai stock are as follows. No shares are held for net investment purposes.

#### ● Principal Corporate Shareholders of Eisai Stock

| Shareholders                        | Industry                     | Shareholding                  |                          | The Company's holding of the corporate shareholders' stock |                          | Purpose of holding shares                |
|-------------------------------------|------------------------------|-------------------------------|--------------------------|--|--------------------------|--|
|                                     |                              | Number of shares held (1,000) | Percentage of shares (%) | Number of shares held (1,000)                              | Percentage of shares (%) |  |
| Alfresa Holdings Corporation*       | Wholesale                    | 1,577                         | 0.53                     | 4,602  | 1.96                     | To strengthen transactional partnerships |
| Kissei Pharmaceutical Co., Ltd.     | Pharmaceuticals              | 294                           | 0.10                     | 474  | 0.91                     | To strengthen business partnerships      |
| Santen Pharmaceutical Co., Ltd.     | Pharmaceuticals              | 949                           | 0.32                     | 6,862  | 1.69                     | To strengthen business partnerships      |
| Suzuken Co., Ltd.                   | Wholesale                    | 1,422                         | 0.48                     | 2,081  | 2.01                     | To strengthen transactional partnerships |
| Toho Holdings Co., Ltd.             | Wholesale                    | 857                           | 0.29                     | 950  | 1.21                     | To strengthen transactional partnerships |
| Nihon Kohden Corporation            | Electronic medical equipment | 330                           | 0.11                     | 1,165  | 1.30                     | To strengthen business partnerships      |
| Hisamitsu Pharmaceutical Co., Inc.  | Pharmaceuticals              | 251                           | 0.08                     | 390  | 0.41                     | To strengthen business partnerships      |
| Matsumotokiyoshi Holdings Co., Ltd. | Retail                       | 819                           | 0.28                     | 2,815  | 2.58                     | To strengthen transactional partnerships |
| Medipal Holdings Corporation        | Wholesale                    | 1,961                         | 0.66                     | 5,959  | 2.44                     | To strengthen transactional partnerships |
| Total                               |                              | 8,465                         | 2.85                     | —  | —                        |  |

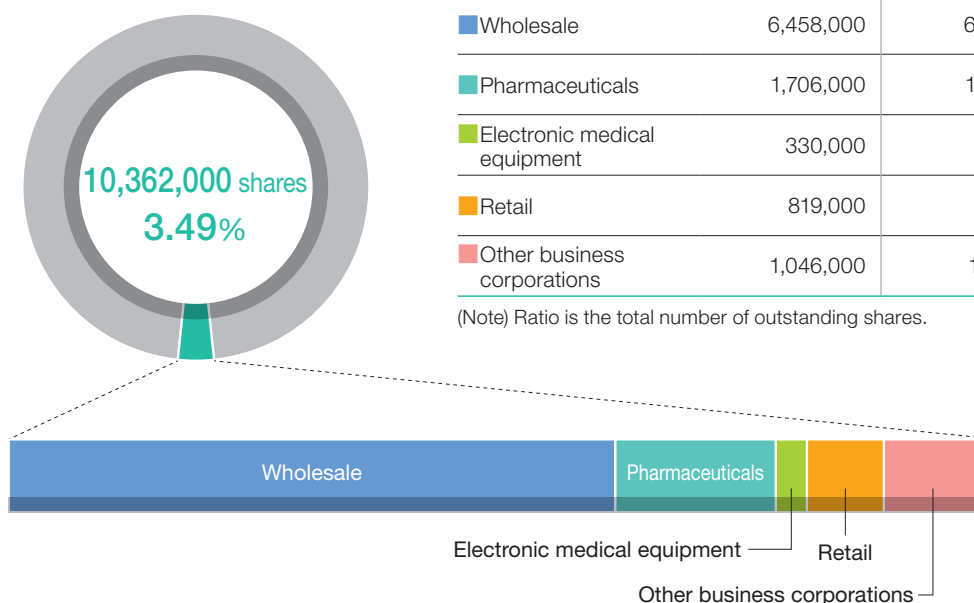
(Notes) 1 Percentages of shares are calculated as a percentage of the total number of outstanding shares, including treasury stock.

2 The above 9 companies consented to disclosure of this information.

3 The shares of companies held by the Company include considered stock for retirement benefit trust purposes.

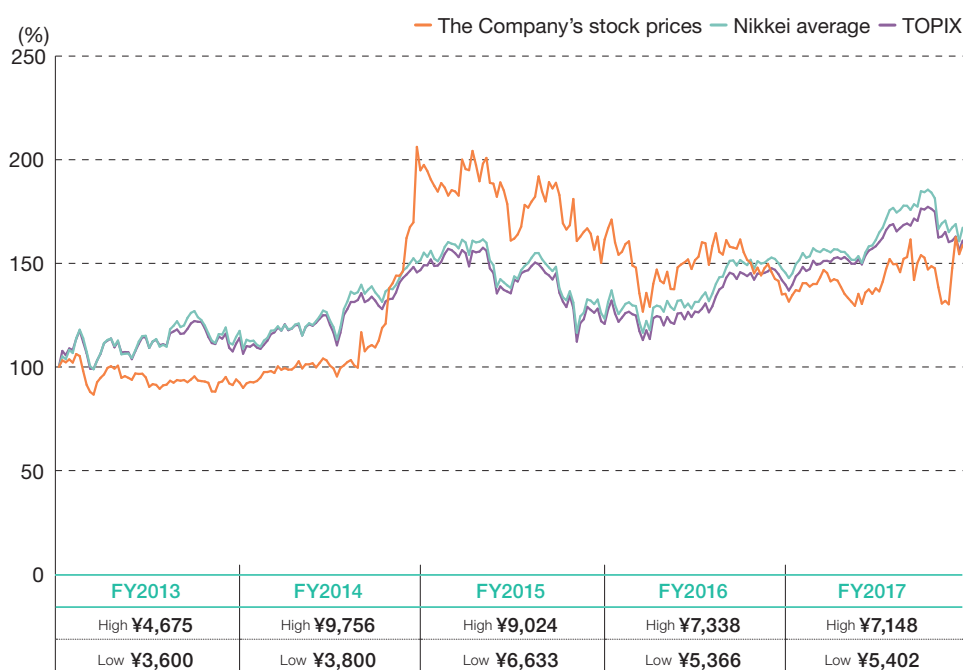
\* The number of the Company's shares held by Alfresa Holdings Corporation includes shares held by Alfresa Corporation.

## ● Status of the Company's Shares Held by the 19 Listed Companies



## 2 Stock Price Trends

### ● The Company's Stock Price Trends over the Past 5 Years and Comparison with the Nikkei Average and TOPIX



(Note) The 100 (%) shown in the vertical axis of the line graph above represents the April 1, 2013, closing prices of the Company's stock price, Nikkei Average, and TOPIX respectively.

### 3 Status of Stock Acquisition Rights

#### 1. Status of Stock Options (Stock Acquisition Rights) at the End of the Fiscal Year

| Date of resolution at the Board of Directors meeting<br>(Deadline for exercising voting rights) | No. of eligible recipients<br>Recipient's position when granted<br>(No. of shareholders) |                    |           |       | Exercise price<br>(Yen) | No. of shares granted<br>(Thousands of shares) | No. of shares for which rights exercised (cumulative)<br>(Thousands of shares) | Exercise rate (%) | No. of shares for which rights not exercised*2<br>(Thousands of shares) |
|---|--|--------------------|-----------|-------|-------------------------|--|--|-------------------|---|
|   | Directors (outside)  | Corporate officers | Employees | Total |                         |  |  |                   |   |
| <b>June 20, 2008</b><br>(June 20, 2018)   | 10 (7)   | 25*1               | 36        | 71    | 3,760                   | 283*1  | 182  | 64.4              | 84  |
| <b>June 19, 2009</b><br>(June 19, 2019)   | 10 (7)   | 27                 | 36        | 73    | 3,320                   | 291  | 159  | 54.6              | 116   |
| <b>June 18, 2010</b><br>(June 18, 2020)   | 10 (7)   | 18                 | 56*1      | 84    | 2,981                   | 316*1  | 253  | 80.2              | 62  |
| <b>June 21, 2011</b><br>(June 21, 2021)   | 10 (7)   | 18                 | 54*1      | 82    | 3,140                   | 308*1  | 168  | 54.6              | 139   |
| <b>June 21, 2012</b><br>(June 21, 2022)   | 10 (7)   | 18*1               | 51*1      | 79    | 3,510                   | 303*1  | 81   | 27.0              | 221   |
| Cumulative total  |  |                    |           |       |                         | 1,501  | 844  | 56.3              | 624   |

(Notes) 1 Numbers of shares are rounded down to the nearest thousand.

2 All the above stock acquisition rights are issued at no cost.

3 The type of target share for all the above stock acquisition rights is common stock.

4 The granting of stock options (stock acquisition rights) was discontinued in FY2013.

5 The Director, Representative Corporate Officer and CEO was granted stock acquisition rights as a corporate officer.

6 Group officers are handled as employees in accordance with the new group officer system introduced in June 2010.

7 Rights are exercised through the conversion of treasury stock.

8 The exercise period for stock options granted in FY2008 will end as of June 20, 2018.

\*1 Decreased due to the resignation or retirement of eligible recipients during the applicable service period.

\*2 Due to the expiration or abandonment of stock acquisition rights, the number does not match the difference between the number of stock acquisition rights granted and the number of shares for which rights have been exercised.

(%)

| Rate of dilution through stock options                                      | March 31, 2018 |
|---|----------------|
| Ratio of granted stock options (cumulative)                                 | 0.52           |
| Ratio of total shares for which rights have not been exercised (cumulative) | 0.22           |

(Note) The above are ratios to shares issued as of the end of March 2018, excluding treasury stock.



## 2. Status of Stock Acquisition Rights Delivered to Company Executives as Compensation for the Execution of Duties (as of March 31, 2018)

### (1) Holdings Status of Company Executives

|                      |                                 |                       | Date of resolution at the Board of Directors meeting |                    |                    |                         |                |
|----------------------|---------------------------------|-----------------------|--|--------------------|--------------------|-------------------------|----------------|
|                      |                                 |                       | Directors (outside)                                  | Directors (inside) | Corporate officers | Total officers (inside) | Total officers |
| <b>June 20, 2008</b> | No. of stock acquisition rights | (Rights)              | 0  | 40 ( 0)            | 350 ( 60)          | 390                     | 390            |
|                      | No. of holders                  | (No. of shareholders) | 0  | 1 ( 0)             | 6 ( 2)             | 7                       | 7              |
| <b>June 19, 2009</b> | No. of stock acquisition rights | (Rights)              | 0  | 5 ( 0)             | 345 ( 90)          | 350                     | 350            |
|                      | No. of holders                  | (No. of shareholders) | 0  | 1 ( 0)             | 8 ( 3)             | 9                       | 9              |
| <b>June 18, 2010</b> | No. of stock acquisition rights | (Rights)              | 0  | 0 ( 0)             | 175 ( 95)          | 175                     | 175            |
|                      | No. of holders                  | (No. of shareholders) | 0  | 0 ( 0)             | 6 ( 4)             | 6                       | 6              |
| <b>June 21, 2011</b> | No. of stock acquisition rights | (Rights)              | 0  | 119 (21)           | 474 (150)          | 593                     | 593            |
|                      | No. of holders                  | (No. of shareholders) | 0  | 3 ( 1)             | 12 ( 5)            | 15                      | 15             |
| <b>June 21, 2012</b> | No. of stock acquisition rights | (Rights)              | 0  | 160 (30)           | 700 (150)          | 860                     | 860            |
|                      | No. of holders                  | (No. of shareholders) | 0  | 3 ( 1)             | 14 ( 5)            | 17                      | 17             |

(Notes) 1 The type and number of target shares per stock acquisition right is 100 shares of common stock.

2 The Director, Representative Corporate Officer and CEO was granted stock acquisition rights as a corporate officer.

3 The number of stock acquisition rights and number of holders shown for directors (inside) and corporate officers include those rights that were granted while serving as employees. Figures in parentheses indicate items associated with stock acquisition rights granted while directors (inside) and corporate officers were serving as employees.

## (2) Overview of Stock Acquisition Rights in Accordance with a Resolution of the Board of Directors

| Date of resolution at the Board of Directors meeting<br>(Allocation date) | No. of stock acquisition rights<br>(Rights) | No. and type of shares<br>(Shares) | Value of assets to be contributed upon exercise of stock acquisition rights<br>(yen/right) | Allocation of capital for share issuance upon exercise<br>(yen/share) | Exercise period                      | Appraisal value<br>(yen/share) |
|---|---|------------------------------------|--|---|--------------------------------------|--------------------------------|
| <b>June 20, 2008</b><br>(July 7, 2008)                                    | 1,750*                                      | 175,000 common shares              | 376,000  | 1,880   | From June 21, 2010, to June 20, 2018 | 530                            |
| <b>June 19, 2009</b><br>(July 6, 2009)                                    | 1,830                                       | 183,000 common shares              | 332,000  | 1,660   | From June 20, 2011, to June 19, 2019 | 471                            |
| <b>June 18, 2010</b><br>(July 5, 2010)                                    | 1,440                                       | 144,000 common shares              | 298,100  | 1,491   | From June 19, 2012, to June 18, 2020 | 348                            |
| <b>June 21, 2011</b><br>(July 7, 2011)                                    | 1,420                                       | 142,000 common shares              | 314,000  | 1,570   | From June 22, 2013, to June 21, 2021 | 417                            |
| <b>June 21, 2012</b><br>(July 9, 2012)                                    | 1,470*                                      | 147,000 common shares              | 351,000  | 1,755   | From June 22, 2014, to June 21, 2022 | 459                            |

(Notes) 1 The value of assets to be contributed at the exercise of 1 stock acquisition right will be recalculated according to a formula established in advance only in cases specified in the issuance guidelines, such as following stock splits, a combination of shares, etc.

2 No monetary consideration is required in exchange for the transfer of stock acquisition rights.

\* Decreased due to the resignation or retirement of eligible recipients during the applicable service period.

## (3) Other Important Items Regarding Stock Acquisition Rights

The Company records the issuance of stock acquisition rights in accordance with the “Policy for Protection of the Company’s Corporate Value and Common Interests of Shareholders” (resolved by the Board of Directors on February 28, 2006).

### III. Status of Officers

#### 1 Items Pertaining to Directors

Of the 11 directors, 7 are outside directors as stipulated in Article 2, Item 15, of the Companies Act. The Representative Corporate Officer and CEO is the only director who is concurrently a corporate officer.

#### 1. Directors

(as of March 31, 2018)

| Name            | Position and primary area of responsibility   | Main concurrent employment   |
|-----------------|---|--|
| Haruo Naito     | Director, Representative Corporate Officer and CEO  | Chair, The Naito Foundation  |
| Toru Yamashita  | Outside Director<br>● Chair of the Board of Directors<br>● Member of the Independent Committee of Outside Directors   | Chief Corporate Adviser, NTT DATA Corporation Director<br>Outside Director, Mitsui Fudosan Co., Ltd.<br>Outside Director, Sumitomo Life Insurance Company<br>Chair of the Cabinet Office's Public Interest Corporation Commission  |
| Ikuo Nishikawa  | Outside Director<br>● Chair of the Audit Committee<br>● Member of the Independent Committee of Outside Directors<br><br>(Note) Ikuo Nishikawa, as a certified public accountant, has considerable knowledge and experience related to finance and accounting as the chair of the Audit Committee. | Certified Public Accountant and Visiting Professor, Graduate School of Business and Commerce, Keio University<br>Outside Corporate Auditor, Mitsubishi Corporation<br>Outside Director, Daiwa Securities Group Inc.<br>Outside Director, MEGMILK SNOW BRAND Co., Ltd. (Audit and Supervisory Committee member)                           |
| Noboru Naoe     | Director<br>● Member of the Audit Committee   |  |
| Eiichiro Suhara | Outside Director<br>● Chair of the Nomination Committee<br>● Member of the Compensation Committee<br>● Member of the Independent Committee of Outside Directors   | Representative Director and President, Mitsubishi Pencil Co., Ltd.<br>Outside Director, Yokohama Shinko Co., Ltd.  |
| Yasuhiko Katoh  | Outside Director<br>● Member of the Nomination Committee<br>● Chair of the Compensation Committee<br>● Member of the Independent Committee of Outside Directors   | Senior Advisor, Mitsui Engineering & Shipbuilding Co., Ltd. (currently Mitsui E&S Holdings Co., Ltd.)  |
| Hirokazu Kanai  | Director<br>● Member of the Audit Committee<br><br>(Note) Hirokazu Kanai has considerable knowledge and experience related to finance and accounting as a member of the Audit Committee having served as head of the Finance & Accounting Department.   |  |
| Tamaki Kakizaki | Outside Director<br>● Member of the Audit Committee<br>● Member of the Independent Committee of Outside Directors   | Professor, School of Law, Meiji University<br>Outside Director, Mitsubishi Shokuhin Co., Ltd.<br>Outside Corporate Auditor, Japan Airport Terminal Co., Ltd.   |
| Daiken Tsunoda  | Outside Director<br>● Member of the Audit Committee<br>● Chair of the Independent Committee of Outside Directors  | Partner, Nakamura, Tsunoda & Matsumoto<br>Outside Corporate Auditor, Sleep Select Co., Ltd. (unlisted)<br>Outside Director, MS&AD Insurance Group Holdings, Inc.<br>Outside Director, Culture Convenience Club Co., Ltd. (unlisted)<br>Outside Corporate Auditor, BILCOM, Inc. (unlisted)  |
| Bruce Aronson   | Outside Director<br>● Member of the Nomination Committee<br>● Member of the Compensation Committee<br>● Member of the Independent Committee of Outside Directors  | Adjunct Professor of Law, Hitotsubashi University<br>Graduate School of International Corporate Strategy<br>(Part-time Instructor, Hitotsubashi University Graduate School of Law [Business Law Department] since April 2018)<br>Visiting Scholar, School of Oriental and African Studies<br>Japan Research Centre, University of London |
| Yutaka Tsuchiya | Director  |  |

(Note) There is no particular conflict of interest between the Company and the concurrent employer of each outside director that would be a problem or obstacle that would impair his/her ability to execute his/her duties as an outside director. Each outside director fulfills all "Requirements for the Independence and Neutrality of Outside Directors" established by the Company's Nomination Committee (see page 33).

## 2. Activities of Outside Directors

| Name            | Primary Activities   | Attendance   |
|-----------------|--|--|
| Toru Yamashita  | As the chair of the Board of Directors, Mr. Yamashita carries out active and efficient leadership, selecting proposals to be presented at meetings of the Board of Directors and presiding over the proceedings of those meetings while explaining the agenda, encouraging input from members, requesting explanations from the corporate officers, and summarizing the opinions of the Board of Directors. Mr. Yamashita utilizes his abundant experience and knowledge as a corporate manager and his high level of management expertise and supervisory capabilities as he requests explanations and presents his opinions, etc., as appropriate at meetings of the Board of Directors.   | Board of Directors<br>100% (10/10)<br>Independent Committee of Outside Directors<br>100% (5/5)   |
| Ikuo Nishikawa  | At meetings of the Board of Directors, Mr. Nishikawa utilizes his specialized knowledge of finance, accounting and international financial reporting standards as a certified public accountant as well as his high level of management expertise and supervisory capabilities as he requests explanations and presents his opinions, etc., as appropriate. In addition, as the chair of the Audit Committee, Mr. Nishikawa directs the secretariat of the Committee, makes preparations for meetings of the Committee and presides over the proceedings of that Committee. He reports to the Board of Directors on the results of the proceedings and responds to questions and comments at meetings of the Board of Directors. Furthermore, he witnesses audits of the independence and appropriateness of the accounting auditor.   | Board of Directors<br>100% (10/10)<br>Audit Committee<br>100% (12/12)<br>Independent Committee of Outside Directors<br>100% (5/5)  |
| Eiichiro Suhara | At meetings of the Board of Directors, Mr. Suhara utilizes his abundant experience and knowledge as a corporate manager and his high level of management expertise and supervisory capabilities as he requests explanations and presents his opinions, etc., as needed. In addition, as the chair of the Nomination Committee, he directs the secretariat of the Committee, makes preparations for meetings of the Committee and presides over the proceedings of that Committee. He reports to the Board of Directors on the results of the proceedings and responds to questions and comments at meetings of the Board of Directors. Also, as a member of the Compensation Committee, he presents a variety of proposals and responds to questions from other Committee members. In addition, he requests explanations regarding the opinions expressed by other Committee members and presents his own opinions, etc., as needed. | Board of Directors<br>100% (10/10)<br>Nomination Committee<br>100% (7/7)<br>Compensation Committee<br>100% (9/9)<br>Independent Committee of Outside Directors<br>100% (5/5) |

(Note) Details on the primary activities and attendance at meetings of the board of directors and at committee meetings of Yasuhiko Kato, Tamaki Kakizaki, Daiken Tsunoda, and Bruce Aronson (4 individuals) are listed on the individuals' corresponding candidate pages in the Reference Documents.

## 3. Changes in Directors

- Bruce Aronson and Yutaka Tsuchiya (2 individuals) were newly appointed to be directors and assumed their posts at the 105th Ordinary General Meeting of Shareholders held on June 21, 2017.
- Nobuo Deguchi and Graham Fry (2 individuals) retired from their director posts upon expiration of their term of office at the end of the 105th Ordinary General Meeting of Shareholders held on June 21, 2017.

## 4. Selection of Full-Time Audit Committee Members and Reason for Selection

The Company has appointed 3 outside directors and 2 inside directors to be Audit Committee members, and the 2 inside directors serve as full-time members.

Highly effective audits are achieved by appointing directors who possess expertise in fields that are unique to pharmaceutical companies and who are familiar with the Company's internal organizations and operations as full-time Audit Committee members.

## 5. Submittal of "Independent Officer Notifications" to Stock Exchanges

The 7 outside directors meet the standards for independent officers, as stipulated by the Tokyo Stock Exchange, and the Company has submitted the names of all the outside directors as independent officers.

## 6. Overview of Liability Limitation Contracts with Directors (excluding those serving as executive directors, etc.)

The Company has limitation of liability clauses in force with its 10 directors (excluding those serving as executive directors, etc.), as per Article 427 of the Companies Act and Article 38, Paragraph 2, of the Company's Articles of Incorporation. In the event that any of the Company's directors causes damage to the Company despite performing his/her duties in good faith and without gross negligence, the maximum liability for damages is the minimum liability amount stipulated in Article 425, Paragraph 1, of the Companies Act.

## 2 Items Pertaining to Corporate Officers

The following is a list of the Company's 27 corporate officers (of whom 3 are women) as of March 31, 2018.

### 1. Corporate Officers

(as of March 31, 2018)

| Name                 | Age | Position and primary area of responsibility  | No. of the Company's shares held (shares) |
|----------------------|-----|--|---|
| Haruo Naito          | 70  | <b>Director, Representative Corporate Officer and CEO</b>  | 634,076                                   |
| Hideki Hayashi       | 60  | <b>Representative Corporate Officer, Japan Business, and CIO;</b><br>Japan Business, <i>hhc</i> Solution Headquarters;<br>and Chief Information Officer  | 23,505                                    |
| Yasushi Okada        | 59  | <b>Representative Corporate Officer, CTO; Industry Affairs and China Business;</b><br>Chief Talent Officer; Industry Affairs; China Business;<br>General Affairs, Environmental and Safety Affairs; and Data Integrity | 12,523                                    |
| Kenta Takahashi      | 58  | <b>Senior Vice President</b><br>General Counsel and Intellectual Property  | 5,751                                     |
| Edward Stewart Geary | 55  | <b>Senior Vice President</b><br>Chief Medical Officer; Senior Executive Director, Corporate Medical Affairs Headquarters;<br>and Global Safety Board Chair   | 35,111                                    |
| Gary Hendler         | 51  | <b>Senior Vice President</b><br>Chief Commercial Officer, Oncology Business Group; President, EMEA Region; and Chairman & CEO, Eisai Europe Ltd.   | —   |
| Terushige Iike       | 54  | <b>Senior Vice President</b><br>President, Oncology Business Group   | 12,975                                    |
| Ryohei Yanagi        | 55  | <b>Senior Vice President</b><br>Chief Financial Officer and Chief IR Officer   | 8,975                                     |
| Ivan Cheung          | 41  | <b>Senior Vice President</b><br>President, Neurology Business Group; President, Americas Region; and Chairman & CEO, Eisai Inc.  | 4,674                                     |
| Takashi Owa          | 54  | <b>Vice President</b><br>Chief Medicine Creation Officer and Chief Discovery Officer, Oncology Business Group  | —   |
| Yasunobu Kai         | 56  | <b>Vice President</b><br>Chief Planning Officer and Senior Director, Planning Department, Oncology Business Group  | 8,816                                     |
| Lynn Kramer          | 67  | <b>Vice President</b><br>Chief Clinical Officer and Chief Medical Officer, Neurology Business Group  | —   |
| Sayoko Sasaki        | 49  | <b>Vice President</b><br>President, Asia and Latin America Region  | 3,837                                     |
| Junichi Asatani      | 57  | <b>Vice President</b><br>Chief Compliance Officer and Internal Control   | 9,845                                     |
| Shaji Procida        | 46  | <b>Vice President</b><br>President & COO, Eisai Inc.<br>and Americas Oncology Commercial   | —   |

| Name                | Age | Position and primary area of responsibility   | No. of the Company's shares held (shares) |
|---------------------|-----|---|---|
| Teiji Kimura        | 55  | <b>Vice President</b><br>Chief Discovery Officer and<br>Director, Tsukuba Research Department, Neurology, Medicine Creation<br>Discovery, Neurology Business Group<br>(Note) Teiji Kimura's assignment was changed to Chief Discovery Officer, Neurology<br>Business Group on April 1, 2018.                          | 3,043                                     |
| Hidenori Yabune     | 47  | <b>Vice President</b><br>Head of Regional Cooperation Shuto-Ken Headquarters and China and<br>Asia Coordination, Eisai Japan  | 4,449                                     |
| Hiroiyuki Kato      | 60  | <b>Vice President</b><br>Chief Quality Officer and Global Product Emergency Management  | 957                                       |
| Alexander Scott     | 53  | <b>Vice President</b><br>Chief Strategy Officer and Senior Director, Strategy Department, Neurology<br>Business Group   | —   |
| Masayuki Miyajima   | 55  | <b>Vice President</b><br>President, Eisai Japan   | 2,569                                     |
| Tatsuyuki Yasuno    | 49  | <b>Vice President</b><br>Global Partnership Development   | 5,345                                     |
| Yanhui Feng         | 45  | <b>Vice President</b><br>President, Eisai China Holdings Ltd. and<br>President, Eisai China Inc.  | —   |
| Yoshiteru Kato      | 58  | <b>Vice President</b><br>President, Eisai Demand Chain Systems  | 3,661                                     |
| Mitsuaki Tanaka     | 55  | <b>Vice President</b><br>Chief Planning Officer and Head of Corporate Planning Department   | 735                                       |
| Shohei Kanazawa     | 53  | <b>Vice President</b><br>Japan Business Strategy; President, Consumer <i>hmc</i> Business Division;<br>and API Solutions  | 7,082                                     |
| Masatomi Akana      | 51  | <b>Vice President</b><br>Corporate Affairs and Global Value & Access  | 273                                       |
| Hiroiyuki Kobayashi | 43  | <b>Vice President</b><br>Chief Medical Officer, Japan and Asia; Head of Medical Headquarters;<br>and Head of Neurology Medical Department, Medical Headquarters<br>(Note) Hiroiyuki Kobayashi's assignment was changed to Chief Medical Officer, Japan and<br>Asia and Head of Medical Headquarters on April 1, 2018. | —   |

## 2. Changes to Corporate Officers

- (1) Vice President Rami Suzuki retired effective April 30, 2017.
- (2) Representative Corporate Officer Yutaka Tsuchiya retired and was appointed to serve as a director effective June 21, 2017.
- (3) Representative Corporate Officer Hideshi Honda and Executive Vice President Takafumi Asano retired effective June 21, 2017.
- (4) Vice President Satoru Yasuda retired and was appointed to serve as Deputy General Manager, Medical Division and Head of Oncology Medical Department effective June 21, 2017.
- (5) The change of Executive Vice President Yasushi Okada to the rank of Representative Corporate Officer was approved at the meeting of the Board of Directors held on June 21, 2017.
- (6) At the meeting of the Board of Directors held on June 21, 2017, Yoshiteru Kato, Mitsuaki Tanaka, Shohei Kanazawa, Masatomi Akana, and Hiroiyuki Kobayashi were appointed to serve as corporate officers and assumed their posts.

## IV. Status of Accounting Auditor

### 1 Name of Accounting Auditor

Deloitte Touche Tohmatsu LLC

The accounting audit operations of the Company have been performed by the following 3 certified public accountants, with the assistance of 14 certified public accountants and 18 others.

| Name             | Position   | No. of years as auditor for the Company |
|------------------|--|---|
| Yuji Takei       | Designated limited liability partner, engagement partner | 2 years                                 |
| Hirofumi Otani   | Designated limited liability partner, engagement partner | 3 years                                 |
| Kentaro Sugimoto | Designated limited liability partner, engagement partner | 4 years                                 |

### 2 Amount of Compensation Paid to Accounting Auditor for the Fiscal Year under Review

(Millions of yen)

|  | The Company | Consolidated subsidiary | Total |
|--|-------------|-------------------------|-------|
| Amount of compensation paid to Accounting Auditor for the fiscal year under review   | 155         | 38                      | 193   |
| (1) Amount of compensation to be paid to the Accounting Auditor for audit work as set forth in Article 2, Paragraph 1 of the Certified Public Accountants Act*                     | 149         | 36                      | 185   |
| (2) Amount of compensation to be paid to the Accounting Auditor for work besides that set forth in Article 2, Paragraph 1 of the Certified Public Accountants Act (non-audit work) | 7           | 2                       | 9     |

\*1 This includes compensation for audits under the Financial Instruments and Exchange Act of Japan.

\*2 The primary content of non-audit work commissioned to the Accounting Auditor is for the provision of advice, guidance, etc., related to the International Financial Reporting Standards. The Audit Committee has confirmed that the provision of such non-auditing work has no impact on the independence of the Accounting Auditor.

### 3 The Audit Committee's Rationale for Agreeing to the Amount of Compensation, etc., for Accounting Auditor

Three Audit Committee members (selected by the Audit Committee) finalized the Accounting Auditor's audit plan (including the labor requirements for the audits) after receiving explanations from the Accounting Auditor and confirming the content accordingly. With Audit Committee members present, operational divisions negotiated with the Accounting Auditor on the corresponding unit labor costs and calculated a proposed audit fee.

In addition to assessing the reasonableness of the above process and the content thereof, the Audit Committee also evaluated past trends in audit fee amounts and the audit fees at other companies from a comprehensive perspective to determine whether the compensation, etc., for the Accounting Auditor is appropriate. After completing its assessments, the Audit Committee approved the amount of compensation, etc., for the Accounting Auditor.

### 4 Auditing of Subsidiaries by Independent Public Accountants Other than Accounting Auditor of the Company

Of the major subsidiaries of the Company (see page 103), overseas subsidiaries are undergoing audits conducted by the member firms of Deloitte Touche Tohmatsu Limited (of which the Accounting Auditor of the Company is also a member) operating in their respective countries.

### 5 Policy on Decisions to Dismiss or not to Re-elect Accounting Auditor

The Audit Committee considers the "Policy on Decisions to Dismiss or not to Re-elect Accounting Auditor" to be a regulation governing Audit Committee operations and reviews the Policy on a yearly basis. The following resolutions were approved at the April 2017 meeting of the Audit Committee.

In order to ensure the appropriateness and reliability of accounting audits, the Audit Committee of the Company monitors the Accounting Auditor to verify that its independence is maintained and that it is performing its auditing duties properly. The monitoring and verification consist of examining the content of the Accounting Auditor's audit plan, the audit fees, etc., paid to the Accounting Auditor, the



suitability of the individuals conducting the audit, the appropriateness of the contents of the audit agreement, notifications from the Accounting Auditor regarding the “structure for ensuring that the Accounting Auditor’s duties are being carried out properly” (provisions set forth in each item of Article 131 of the Rules of Company Accounting), and past audit performance, among other factors. The Accounting Auditor is additionally required to report, in a timely fashion, any obstacle to the performance of its duties, including orders received from regulatory authorities to suspend audit work.

As a result of the Audit Committee’s monitoring and verification, in the event that the Accounting Auditor is reasonably expected to fall under Article 337, Paragraph 3, Item 1 or is deemed to fall under the provisions set forth in each item of Article 340, Paragraph 1 of the Companies Act, the Accounting Auditor will be dismissed upon unanimous agreement of all members of the Audit Committee. In such cases, a member of the Audit Committee assigned by the Committee will report the dismissal and the reason therefor at the first General Meeting of Shareholders convened following the dismissal.

Through the aforementioned monitoring and verification, the Audit Committee evaluates each year the quality of the Accounting Auditor’s audits and the effectiveness and efficiency with which it performs its auditing duties, and considers whether to re-elect or withhold the re-election of the Accounting Auditor. In the event that a motion to withhold re-election of the Accounting Auditor is to be put forth in a proposal at the General Meeting of Shareholders, a member of the Audit Committee assigned by the Committee will present all necessary explanations concerning the proposal at the General Meeting of Shareholders.

If a new Accounting Auditor needs to be elected following the decision to dismiss or withhold re-election of the Accounting Auditor, the Audit Committee will first confirm that the applicable independent public accountants do not fall under the items of Article 337, Paragraph 3 and of Article 340, Paragraph 1 of the Companies Act. Then it will evaluate a number of independent public accountants with regard to the status on provisions set forth in each item of Article 131 of the Rules of Company Accounting, past audit performance and audit fees with global corporations, and other matters, and select a candidate to be proposed at the General Meeting of Shareholders.

## **6 Evaluations of Accounting Auditor by the Audit Committee**

The Audit Committee evaluates independent public accountants and certified public accountants in charge of audits from different perspectives. In evaluating independent public accountants, the Committee focuses on examining the various internal controls that are put in place and operated by the target accountants from the perspective of evaluating the organization, and obtaining the results of independent public accountant evaluations by government bodies.

For its evaluations of certified public accountants, on the other hand, the Committee examines the independence and expertise of the corresponding engagement partner through the “Auditing Activities of the Audit Committee in Relation to the Accounting Auditor” (see pages 66 to 67).

## **7 Measures for Enabling High-quality Accounting Audits**

Before concluding audit agreements, the Audit Committee receives audit plans from the Accounting Auditor on a yearly basis and confirms that the contents of the corresponding audits are reasonable and that the plans provide sufficient time for the audits. The Committee also takes steps to ensure that the Accounting Auditor is able to conduct interviews with the CEO and other corporate officers.

In addition to receiving quarterly account review reports from the Accounting Auditor, the Audit Committee also holds 4 meetings a year with its engagement partners in accordance with the “Auditing Standards Committee Statement 260” issued by the Japanese Institute of Certified Public Accountants. The Management Audit Department, which provides the Audit Committee with assistance, holds meetings with members of the management class, who assist engagement partners, every 2 months. The Corporate Internal Audit Department, which oversees internal audits, shares information with the Accounting Auditor in an appropriate fashion and reports to the Audit Committee on the corresponding results. The Company also has a process for addressing improprieties.

Should the Accounting Auditor discover an impropriety, etc., the Accounting Auditor immediately reports to the Audit Committee on the corresponding finding. The Audit Committee then promptly reports to the Board of Directors, which issues instructions to operational divisions on the appropriate responses.

## **8 Provision Concerning the Suspension of Audit Operations of Accounting Auditor**

None

## **9 Provision Concerning Liability Limitation Contracts with Accounting Auditor**

Liability limitation contracts between the Company and the Accounting Auditor are not admitted under the Articles of Incorporation.



## V. Policy for Protection of the Company's Corporate Value and Common Interests of Shareholders

### 1 Policy for Protection of the Company's Corporate Value and Common Interests of Shareholders

#### 1. Background of the Implementation and Continuation

The “Policy for Protection of the Company's Corporate Value and Common Interests of Shareholders” (the “Policy”) was proposed by the Independent Committee of Outside Directors\* at a meeting of the Board of Directors held in February 2006, and was later implemented. Subsequently, the effective period and other contents were revised and updated at meetings of the Board of Directors held in August 2011 and April 2016. Since the implementation of the Policy, the Independent Committee of Outside Directors has considered, on a yearly basis, whether to maintain, revise, or abolish the Policy.

\* For more on the Independent Committee of Outside Directors, see “Activities of the Independent Committee of Outside Directors” on pages 119 to 121.

#### 2. Partial Revision and Continuation of the Policy

In FY2017, the Independent Committee of Outside Directors gathered and shared the latest information related to the Policy (including, among other things, cases at other domestic/foreign companies, opinions of institutional investors, and the status of exercising voting rights). Thereupon, the Committee conducted thorough deliberations regarding the background and significance of the Company having the Policy, as well as regarding its own role with respect to the Policy and other matters.

As a result, based on the corresponding proposal from the Independent Committee of Outside Directors, the Board of Directors deliberated on and adopted as proposed a resolution on April 25, 2018, to continue the Policy after a revision thereto with respect to its effective period and the standards for acquisitions subject thereto. The main revisions are as follows.

#### Revisions

##### (1) Shortening the effective period

The effective period of the current Policy is from April 26, 2016, to June 30, 2021, a period of approximately 5 years. However, the effective period will be shortened to 1 year, from July 1, 2018, to June 30, 2019.

##### (2) Increasing the applicable acquisition standards

The standard for acquisitions subject to the Policy will be increased from “15% or more” of the outstanding shares of the Company to “20% or more.”

These revisions formally will come into effect on July 1, 2018, through resolutions to be adopted by the Independent Committee of Outside Directors and the Board of Directors at meetings held after the conclusion of the Company's Ordinary General Meeting of Shareholders on June 20, 2018. The current Policy, scheduled to expire on June 30, 2021, will be nullified after June 30, 2018.

### 3. Activities of the Independent Committee of Outside Directors\*

\* For more on the activities of independent outside directors not on the Independent Committee of Outside Directors, see "Features of the Company's Corporate Governance" on pages 43 to 47.

The Independent Committee of Outside Directors, which is responsible for the operation of the Policy, consists solely of outside directors, who comprise a majority of the Board of Directors (7 of the 11 members). The management team, including the Representative Corporate Officer and CEO, does not take part in deliberations by the Independent Committee of Outside Directors.

The Independent Committee of Outside Directors meets around 3 to 4 times per year to gather objective information, etc., from outside advisors on acquisitions of companies, share the latest information on legal systems and other cases, etc., in Japan and overseas, and deliberate on and consider whether to maintain, revise, or abolish the Policy.

The Independent Committee of Outside Directors met 5 times during FY2017. Details of the meetings are as follows.

| Meeting date<br>Deliberation time        | Details of the deliberations/considerations   |
|--|---|
| June 21, 2017<br>20 minutes              | Selected the Chair of the Independent Committee of Outside Directors<br>Considered whether to maintain, revise, or abolish the Policy   |
| September 12, 2017<br>2 hours, 5 minutes | Shared information on the results of exercises of voting rights by institutional investors regarding takeover defense measures in Japan, the status of companies that have abolished their takeover defense measures, and the status of companies that have updated their takeover defense measures |
| October 2, 2017<br>2 hours, 5 minutes    | Shared the latest information, etc., on cases of hostile takeovers and takeover defense measures, etc.  |
| December 13, 2017<br>1 hour, 50 minutes  | Considered how to explain the Policy in dialogues with institutional investors*   |
| March 30, 2018<br>1 hour, 10 minutes     | Deliberated on the partial revision and continuation of the Policy<br>Confirmed the stance of each Committee member on the Policy   |

\* For more on dialogues with institutional investors, see "Dialogues with Outside Directors and Institutional Investors" on pages 45 to 46.

The following provides an overview of the deliberations by the Independent Committee of Outside Directors.

#### (1) Analyzing and discussing the results of exercises of voting rights at the 105th Ordinary General Meeting of Shareholders

- Compared to the previous year, there was a significant drop in the degree of approval for the proposal for the selection of directors. Humbly accepting these results as a message from shareholders and investors, we need to analyze and consider the circumstances contributing to the outcome.
- We need to adopt a broader perspective in considerations of whether to maintain, revise, or abolish the Policy.
- We need to use this opportunity to consider our approach to dialogues and collaborations with outside directors, shareholders, and investors on all fronts, not only in relation to the Policy, and create and implement governance mechanisms and systems accordingly.

#### (2) Sharing the latest information on acquisitions of companies, etc.

- In the global pharmaceutical industry, there are countless examples of corporations acquiring companies with promising products and products under development in order to secure pipelines. The scale of these acquisitions continues to grow from year to year (with some now totaling trillions of yen in value).

- The Company has several strong products and development themes in dementia and oncology, making it a potential target for acquisition proposals from other companies. There is always the possibility, however, that some proposals could pose the risk of damaging the Company's corporate value.
- The Financial Instruments and Exchange Act of Japan establishes legal provisions concerning large-scale purchases in Japan. Compared to the legal systems in Europe and the U.S., however, the Financial Instruments and Exchange Act is still not enough to protect the Company's corporate value and the common interests of shareholders.
- In other countries, companies do not entrust decisions on takeover defense measures to general meetings of shareholders. Rather, these decisions are the responsibility of Boards of Directors and other bodies with effective supervisory functions or bodies capable of making fair evaluations of long-term growth in corporate value.
- As more and more companies are abolishing their so-called takeover defense measures in recent years, the Company needs to maintain the Policy.



### (3) Establishing the outside directors' stance on the Policy

- Not all the independent outside directors are diametrically opposed to every conceivable acquisition, of course. If an acquisition proposal would contribute to the improvement of the Company's corporate value and the common interests of shareholders, the Company needs to consider the proposal with a proactive mindset.
- The Policy contains a mechanism for preventing the imposition of inappropriate takeover defense measures as a means for members of the management team to protect themselves (i.e., the issuance of stock acquisition rights).\*



\* The Company's Board of Directors consists of 11 directors (7 of whom are outside directors). If the Policy were not in effect and the Board of Directors were to discuss a resolution to issue stock acquisition rights in an emergency situation, the resolution would pass even if 5 of the 7 outside directors were to vote against it; as long as the other 6 directors were all to vote in favor, the resolution would have the majority. The Policy, however, establishes that resolutions by the Independent Committee of Outside Directors require the approval of a majority of the members. Once the Independent Committee of Outside Directors passes a resolution for the non-issuance of stock acquisition rights, it will not be deliberated on again by the Board of Directors. Therefore, with the Policy in place, the mechanism prevents the Board of Directors from passing a resolution to issue stock acquisition rights as long as at least 4 of the 7 members of the Independent Committee of Outside Directors oppose the issuance of stock acquisition rights. For the management team, then, having the Policy in place makes it more difficult to pass resolutions to issue stock acquisition rights.

- Generally, companies cannot implement takeover defense measures that management teams can use to protect themselves. Under the Company's governance structure and the provisions of the Policy, however, the mechanisms in place prevent arbitrary operations by the management team and thereby eliminate concerns about the management team manipulating the stipulations to protect themselves.
- The Policy can also serve to establish favorable conditions for the majority of existing shareholders through negotiations with buyers. If the Company were to discontinue the

Policy and thereby relinquish a tool for securing negotiation opportunities, the outcome may endanger the Company's corporate value and common interests of shareholders.

#### (4) Updating the Policy upon a decision by the Board of Directors

- In Japan, it is often said that establishing so-called takeover defense measures requires the approval of the corresponding company's general meeting of shareholders. That notion, however, is rooted in the fact that independent outside directors do not hold a majority position on the boards of directors at many Japanese companies. This means that, at such companies, decisions by the board of directors may enable the management team to use takeover defense measures to protect themselves. A company thus often aims to gain the approval of its general meeting of shareholders as a substitute or workaround for the board of directors.
- At the Company, however, independent outside directors represent the majority of the Board of Directors, and the Nomination Committee, consisting solely of independent outside directors, effectively functions as the body for selecting independent outside directors. In addition, the Policy also includes a mechanism by which decisions on the non-issuance of stock acquisition rights based on the Policy are made exclusively by independent outside directors. Given these provisions, we would like shareholders to place their trust in the decisions of the Company's objective, well-informed Board of Directors.
- Due to the asymmetric nature of the information available to the Company's shareholders and directors, the independent outside directors want to serve as an agent for and live up to the expectations of institutional investors and shareholders at large. We would therefore like the Company's shareholders to entrust the Board of Directors, which consists of a majority of independent outside directors, with decisions on whether to maintain, revise, or abolish the Policy as well.



#### (5) Basing considerations on findings from dialogues with institutional investors

- In order to gain the understanding of the Company's shareholders and build stronger bonds of trust, meanwhile, it will be important and necessary for the independent outside directors to offer more information on their activities and thinking, and continue efforts to glean more input from their dialogues with institutional investors.\*

\* For more on the activities of independent outside directors, see "Features of the Company's Corporate Governance" on pages 43 to 47.



- The outside directors need to continue holding dialogues with institutional investors on many issues, not only matters concerning the Policy, as a governance mechanism.
- The Independent Committee of Outside Directors will submit a proposal to the Board of Directors for shortening the effective period of the Policy and increasing the applicable acquisition standards under the Policy.

## 2 Details of the Policy

The content stipulated in Article 118, Item 3 of the Ordinance for Enforcement of the Companies Act ("basic policies related to the way a person is to control decisions on financial and business policies") is included in the Policy as shown below.

### 1. Significance and Purpose

The Policy establishes procedures, etc., for large-scale holding of the Company's stock, for the purpose of protecting the Company's corporate value and the common interests of shareholders generated by the implementation of the various measures of the medium-term business plan, etc.

The purpose is to ensure that the Independent Committee of Outside Directors has an opportunity to respond to the mandate of our shareholders to thoroughly examine the contents of large-scale purchases of the Company's stock, by requesting information from the purchaser to judge whether the purchase would improve the Company's corporate value and the common interests of the shareholders, or whether the purchase may damage them.

If the Independent Committee of Outside Directors judges that the proposal of the purchaser fulfills the procedures and criteria, etc., of the Policy and will contribute to improvement of corporate value, stock acquisition rights will not be issued. On the other hand, if it is judged that the proposal does not fulfill the procedures and criteria, etc., of the Policy, and will damage the Company's corporate value and the common interests of the shareholders, the Committee will propose issuance of stock acquisition rights.

### 2. Characteristic Mechanisms

#### (1) Implementation and updating by the Board of Directors

As for the implementation and updating of the Policy, rather than putting it to a vote at the General Meeting of Shareholders, the corresponding decisions are made by the Board of Directors in accordance with a proposal from the Independent Committee of Outside Directors. This is because, from the perspective of improving the Company's corporate value and the common interests of the shareholders, it is appropriate for the directors, who have a mandate from the shareholders, to obtain sufficient information, including the opinions of experts, and carefully and responsibly consider the matter. 7 of the 11 directors on the Company's Board of Directors are outside directors, with an outside director also serving as chair. All 7 of the Company's outside directors are independent from the management team, including a corporate manager, academic experts, and specialists in accounting and law, etc., with abundant experience and excellent records of achievement. Only 1 of the Company's 4 inside directors is concurrently a corporate officer. With this configuration of directors, we believe that the Company's Board of Directors is able to represent the interests of our shareholders and make objective and reasonable judgments regarding the Policy.

#### (2) Mechanism that makes it possible to reflect the will of all shareholders

By having each director declare his or her stance on the Policy in the reference documents for the proposals for the selection of directors included with the Notice of Convocation of the Ordinary General Meeting of Shareholders, the Policy establishes a mechanism that makes it possible to reflect the will of all shareholders through the exercise of voting rights regarding proposals for the selection of directors.

#### (3) Mechanism that prevents arbitrary operation by the management team

The Independent Committee of Outside Directors makes decisions on the issuance or non-issuance of stock acquisition rights based on the Policy. If the Independent Committee of Outside Directors judges that an offer to purchase fulfills the procedures and criteria of the Policy and will contribute to the improvement of the Company's corporate value, stock acquisition rights will not be issued. Such decisions on the non-issuance of stock acquisition rights will not be deliberated upon again by the Board of Directors. The mechanism ensures that neither inside directors nor corporate officers have any involvement in decisions not to issue stock acquisition rights, thereby truly eliminating arbitrary operation by the management team.

#### (4) The effective period is for all intents and purposes 1 year\*

Although the current Policy is effective until June 30, 2021, in operational terms, the Independent Committee of Outside Directors considers whether to maintain, revise, or abolish the Policy on a yearly basis. The Independent Committee of Outside Directors can resolve to make a proposal to revise or abolish the Policy to the Board of Directors at any time.

\* As explained under "Partial Revision and Continuation of the Policy" on page 118, the Company plans to shorten the official effective period to 1 year beginning July 2018.

### 3. Decision by the Independent Committee of Outside Directors\*

The Independent Committee of Outside Directors makes the decision to continue the Policy after conducting deliberations on the following.

- (1) The presence of latent risks in acquisitions that have the danger of damaging the Company's corporate value and the common interests of shareholders cannot be denied, and it is both necessary and appropriate for the Board of Directors to make sufficient preparations to handle them.
- (2) Although legal stipulations regarding large-scale purchasing have been established in Japan's Financial Instruments and Exchange Act, compared to the legal systems involved in corporate acquisitions in each country of Europe and the U.S., it is recognized that the Act is still not enough to protect the Company's corporate value and the common interests of shareholders.
- (3) If we establish procedures, etc., for large-scale purchases of the Company's stock and disclose them, and a purchaser appears, the Independent Committee of Outside Directors will be able to ensure enough time to thoroughly consider the contents of the purchaser's proposal.
- (4) The Policy establishes a mechanism that makes it possible to reflect the will of all shareholders through the exercise of voting rights regarding proposals for the selection of directors at General Meetings of Shareholders. Further, the mechanism has eliminated concerns about its use as a way for members of the management team to protect themselves. Each year, the Independent Committee of Outside Directors, which is independent from management, considers whether to maintain, revise, or abolish it.

\* As explained under "Partial Revision and Continuation of the Policy" on page 118, the Company plans to make partial revisions to the official effective period, acquisition standards, and other details of the Policy, effective from July 2018. However, these plans do not affect the basic stance of the Independent Committee of Outside Directors, as stipulated above.



## 4. Policy for Protection of Company's Corporate Value and Common Interests of Shareholders

### 1. Reasons for Adoption

As a *human health care (hhc)* company, the Company believes that its mission of highest priority, securing and enhancing our corporate value and the common interests of our shareholders, will be achieved by creating value for patients. To create value for patients, it is necessary to undertake research and development of new drugs, to manufacture and distribute high quality products, and to manage and provide information to achieve the safe use of pharmaceutical products. To do this the Company must implement long-term corporate measures. To strengthen shareholder value, it is essential that the Company grow steadily and continuously. Furthermore, to fulfill its corporate social responsibility and accomplish the mission set out above, the Company, in 2004, adopted a "Company with Committees System" (currently "Company with a Nomination Committee, etc. System") and established a highly transparent governance structure.

In order to realize the above mission, the Company plans to increase its corporate value and strengthen shareholder value by introducing and implementing a variety of long-term measures such as the Medium-term Strategic Plan. However, considering the escalating competition surrounding the Company, and the changes, content, etc. in the Japanese legal system and corporate culture relating to M&A in Japan, we can anticipate the potential for acquisitions of the Company's shares that will materially affect the Company's management policy. More specifically, if acquisitions of 15% or more of the outstanding shares of the Company are made, the Company may be prevented from fully carrying out our above stated mission. We believe the seriousness of the effect of such a 15% or greater acquisition of shares is made clear by the following points: First, in the standards for related companies according to the Regulations for the Terminology, Format and Method of Preparation of Financial Statements, in the case of ownership of voting rights of 15% to less than 20%, there is an inference of an ability to exert a major influence. Also, taking into account quorum numbers, a 15% shareholding represents a large portion of the votes needed to defeat any special resolutions of the general shareholders' meeting.

The Company does not reject any and all acquisitions that are intended to obtain a large volume of shares of the Company or that permit a third party to participate in the Company's business management, if such acquisitions will substantially increase the corporate value of the Company. However, among acquisitions of large shareholding positions, there are acquisitions that are inappropriate, in view of their purpose and the business policy after such acquisitions, such as those that cause obvious and irreparable damage to the shareholders' common interests, that are structured to coerce other shareholders to sell their shares under unfavorable conditions, that do not give sufficient time and information to the Company and shareholders for their examination of the substance of the proposed acquisition and consideration of alternatives, or that offer terms and conditions that are insufficient or inappropriate from the perspective of protecting the Company's corporate value and the common interests of the shareholders. Furthermore, in order to realize value for patients, and thereby to increase the corporate value and the common interests of the shareholders, research and development systems of new drugs, a stable supply of high quality products, and proper management and provision of information on safety and efficacy of drugs are essential. If the Company fails to secure these processes, the Company's corporate value and the common interests of the shareholders will be harmed.

Therefore, the Company has determined that the adoption of this Policy for Protection of Company's Corporate Value and Common Interests of Shareholders (the "Policy") is essential to deter acquisitions, including the above types of acquisitions, that are inconsistent with the Company's corporate value and the common interests of the shareholders, and has decided to adopt this Policy.

For any acquisition of a 15% or greater stake, this Policy will first require the acquirer or the person proposing the acquisition (hereinafter, together with a tender offer bidder (TOB) or one proposing a TOB, collectively referred to as an "Acquirer") to provide information to the Company about the intended acquisition in advance of such acquisition. By doing this, the Company will be able to secure a period to collect and review information regarding the purchase, explain the business plan to the shareholders, and, if necessary, propose alternatives to and negotiate with the Acquirer. On the contrary, if an Acquirer enters into an acquisition without providing information in advance, or if the acquisition is not determined to be an acquisition that will not substantially harm the Company's corporate value and the common interests of the shareholders, as mentioned below, the Company will issue, as necessary, by allocation to all shareholders at that time, new share subscription rights conditioned such that the Acquirer and certain related parties may not exercise such rights (collectively the "Rights," pertaining to any single share a "Right"). This Policy will decrease the relative percentage of voting rights held by the Acquirer by issuing the Rights and will aim to prevent any acquisition that will substantially harm the Company's corporate value and the common interests of the shareholders.

The adoption of this Policy, and the process for the evaluation of a proposed acquisition of a 15% or greater stake, any discussions and negotiations with the Acquirer, and the judgment of whether or not the issuance of the Rights is required based on the results of said discussions and negotiations, are required to be objective and reasonable to prevent the possibility that management could manipulate this Policy to protect its own interests. The Board of Directors of this Company consists of directors, the majority of whom are outside directors. These outside directors,

who are independent from the Company Management, include a corporate manager, an academic expert, a CPA, an attorney, etc., with abundant experience and excellent records of achievement. Of the four (4) other directors who are not outside directors only one (1) is engaged in day-to-day business operations. Therefore, the Company believes that the Board of Directors will be able to make an objective and reasonable decision for the shareholders' interests.

In the adoption of this Policy, a "Special Committee" consisting of three (3) outside directors was first established. The Special Committee received opinions from independent outside advisors and examined whether or not this Policy should be adopted. As a result of the examination, the Special Committee determined that the adoption of a policy was essential to prevent acquisitions that could substantially harm the Company's corporate value and the common interests of the shareholders. This Policy was proposed to the Independent Committee of Outside Directors, which consists of all seven (7) outside directors (please see Attachment No. 1, "Outline of the Independent Committee of Outside Directors," regarding requirements for resolutions and matters to be resolved), and the Independent Committee of Outside Directors examined whether or not it should be adopted. As a result of the examination, the Independent Committee of Outside Directors decided that this Policy was essential and appropriate to prevent acquisitions that could substantially harm the Company's corporate value and the common interests of the shareholders, and recommended to the Board of Directors to adopt this Policy. The Board of Directors, after examination of this Policy, resolved to adopt it. Thus, this Policy has been adopted for the common interests of the shareholders by the initiative of the Independent Committee of Outside Directors.

In addition, in order to ensure that the operation of the Policy is objective and reasonable, the Independent Committee of Outside Directors will be primarily responsible for the operation of this Policy. In case of an actual proposed acquisition of a 15% or greater shareholding, the Independent Committee of Outside Directors will, acting on their own initiative, determine whether or not all the criteria set forth in Article 4 below have been satisfied.

Unless the Independent Committee of Outside Directors determines that the acquisition satisfies all the criteria set forth in Article 4 below, in principle, it will propose that the Board of Directors issue the Rights. The Board of Directors will then determine ultimately whether or not the issuance of the Rights will be necessary. If the Independent Committee of Outside Directors decides that the Rights are not to be issued, the Board of Directors will make neither an examination nor a determination of the issuance of the Rights. By adopting this system, this Policy will prevent arbitrary decisions by Management with respect to the judgment of whether the Rights should be issued, and make it difficult to issue the Rights.

## 2. Acquisitions Subject to This Policy

Under this Policy, the Rights may be issued in accordance with the procedures stipulated in this Policy in the event of an acquisition or proposal of acquisition as set forth below in 2.1) or 2.2) below (hereinafter collectively referred to as an "Acquisition"):

- 1) A purchase or other acquisition, that, if completed, would make a person's<sup>1</sup> shareholding percentage<sup>2</sup> of shares issued by the Company<sup>3</sup> 15% or more; or
- 2) A TOB<sup>4</sup> that, if successful, will make a TOB Acquirer's, plus its special affiliated persons<sup>5</sup> shareholding percentages<sup>6</sup> of shares<sup>7</sup> issued by the Company<sup>8</sup>, 15% or more in total.

## 3. Process for the Issuance of the Rights

1) Submission of Information in Advance from Acquirer to the Independent Committee of Outside Directors  
The Acquirer, who proposes to make an Acquisition set forth in Article 2 above, shall prior to publicly announcing any proposed Acquisition or launching a TOB, submit in writing to the Independent Committee of Outside Directors the information set forth in Appendix 2 which is necessary to examine the content of the Acquisition (the "Necessary Information") and a declaration that the Acquirer will comply with the procedures stipulated in this Policy (together with the Necessary Information, the "Acquisition Description").

If the Independent Committee of Outside Directors determines that the content of the relevant Acquisition Description is insufficient to meet the requirements set forth for the Necessary Information, the Independent Committee of Outside Directors may request the Acquirer to submit additional Necessary Information, setting a specific deadline if appropriate. In this circumstance, the Acquirer will submit the remaining Necessary Information by the deadline.

<sup>1</sup> Including holders under the Financial Instruments and Exchange Act, Article 27-23(3)

<sup>2</sup> Defined in the Financial Instruments and Exchange Act, Article 27-23(4), the same applies below unless otherwise specified

<sup>3</sup> Defined in the Financial Instruments and Exchange Act, Article 27-23(1), the same applies below unless otherwise specified

<sup>4</sup> Defined in the Financial Instruments and Exchange Act, Article 27-2(6)

<sup>5</sup> Defined in the Financial Instruments and Exchange Act, Article 27-2(7), provided that the persons stipulated in item 1 of such Article 27-2(7) are excluded except for those persons provided for under the Cabinet Order Article 3(2) regarding disclosure of the TOB by persons other than the issuer

<sup>6</sup> Defined in the Financial Instruments and Exchange Act, Article 27-2(8), the same applies below unless otherwise specified

<sup>7</sup> Defined in the Financial Instruments and Exchange Act, Article 27-2(1)

<sup>8</sup> Defined in the Financial Instruments and Exchange Act, Article 27-2(1)



If the Independent Committee of Outside Directors believes that the Acquirer started the Acquisition without complying with the procedures stipulated in this Policy, the Independent Committee of Outside Directors, in principle, will propose to the Board of Directors to issue the Rights in accordance with 3.3)(1) below, unless there is a special situation in which the Independent Committee of Outside Directors may continue to discuss and negotiate with the Acquirer who is requested to submit the Acquisition Description (including the Necessary Information).

2) Examination of the Acquisition Content of the Relevant Acquirer, Negotiation with Acquirer, and Presentation of an Alternative Proposal to All of the Shareholders by the Independent Committee of Outside Directors

If the Acquirer submits an Acquisition Description and sufficient Necessary Information including additional Necessary Information requested by the Independent Committee of Outside Directors, the Independent Committee of Outside Directors of the Company may, as necessary, also request within a period set by the Independent Committee of Outside Directors the Representative Corporate Officer and CEO of the Company to submit, within thirty (30) days, opinions on the content of the Acquisition by the Acquirer and materials that show the grounds for such opinions, alternatives and other necessary information, and materials that the Independent Committee of Outside Directors appropriately regards as necessary.

The Independent Committee of Outside Directors will collect, compare, etc., the information related to the investigation and examination of the content of the Acquisition of the Acquirer, the investigation and examination of any alternative proposal submitted by the Representative Corporate Officer and CEO of the Company, and the business plans, etc., of the Acquirer and the Representative Corporate Officer and CEO of the Company, in principle, for sixty (60) days (however, the Independent Committee of Outside Directors can extend the period up to ninety (90) days in accordance with 3.3)(3) below) after the receipt of the Necessary Information and materials from the Acquirer and the Representative Corporate Officer and CEO (the "Examination Period"). The Independent Committee of Outside Directors will, if necessary, directly or indirectly, negotiate with the Acquirer, and present to all of the shareholders of the Company the alternative proposal submitted by the Representative Corporate Officer and CEO of the Company.

The Independent Committee of Outside Directors can, at its discretion, obtain advice from third parties independent from the Company Management (including financial advisors, CPAs, lawyers, consultants and other specialists) at the Company's expense in order to ensure that the decision of the Independent Committee of Outside Directors is reasonable.

The Acquirer shall not initiate an Acquisition before the end of the Examination Period.

3) Resolution of the Independent Committee of Outside Directors

The Independent Committee of Outside Directors will take the following procedures:

- (1) In such case that an Acquirer has not complied with the procedures set forth in 3.1) and 2) above, unless the Independent Committee of Outside Directors determines that 3.3)(2) or (3) below is applicable, the Independent Committee of Outside Directors will, in principle, propose to the Board of Directors to issue the Rights without regard to whether it is during or after the Examination Period.

However, if there is a change in the facts relating, etc., to the premises of the decision, the Independent Committee of Outside Directors may revise its decision including the cancellation of the issuance of the Rights.

- (2) If the Independent Committee of Outside Directors finds, as a result of the examination of the Acquisition content of the Acquirer and negotiation with the Acquirer, that the purchase by the Acquirer will meet all of the criteria stipulated in 4.1) through 9) below, the Independent Committee of Outside Directors will resolve not to issue the Rights without regard to whether it is during or after the Examination Period. In connection with such resolution of non-issuance of the Rights, the Board of Directors will not examine whether or not the Rights are to be issued.

If the facts underlying the determination change, the Independent Committee of Outside Directors may revise its decision including proposing to issue the Rights.

- (3) If the Independent Committee of Outside Directors does not advise the Board of Directors either to issue or not to issue the Rights by the end of the original Examination Period, the Independent Committee of Outside Directors may resolve that the Examination Period will be extended to the extent necessary to examine the content of the Acquisition of the Acquirer, negotiate with the Acquirer, request the submission of and examine an alternative proposal, etc. (after such extension, the same procedure will apply to subsequent extensions).

If the Examination Period is extended based on the above resolution, the Independent Committee of Outside Directors will continue to examine the content of the Acquisition of the Acquirer, and, if necessary, negotiate with the Acquirer, request the submission of and examine an alternative proposal, etc., and will endeavor to propose to issue the Rights or determine not to issue them, or present to all of the shareholders of the Company an alternative proposal, etc., during the extended period.

4) Resolution of the Board of Directors

If the Board of Directors receives the above-mentioned proposal from the Independent Committee of Outside Directors to issue the Rights, it shall make such resolution without delay.

However, if the facts underlying the determination change, the Board of Directors may make another determination.

If the Independent Committee of Outside Directors resolves to not issue the Rights, as stated in 3.3)(2) above, the Board of Directors will not examine whether or not the Rights are to be issued.

#### 5) Disclosure of Information

In adopting this Policy, the Company will disclose on a timely basis the information with respect to the following items relating to the status of the progress of each of the procedures of this Policy as well as to matters the Independent Committee of Outside Directors and the Board of Directors of the Company think to be appropriate, in accordance with the laws and regulations or the financial instruments exchanges' rules, regulations, etc.

- (1) The relevant acquisition under the above 2.1) or 2.2);
- (2) The submission of the Acquisition Description from the Acquirer, and matters within the Necessary Information and other information that the Independent Committee of Outside Directors determine as appropriate;
- (3) The commencement of the examination by the Independent Committee of Outside Directors, and the extension of the Examination Period (including the period and the reason);
- (4) The proposal of the Independent Committee of Outside Directors to issue the Rights, the summary thereof, the reasons for the decision that the Rights should be issued, and other items determined as appropriate by the Independent Committee of Outside Directors;
- (5) The Board of Directors' resolution to issue the Rights, the summary thereof, the reasons for such decision, and other items determined as appropriate by the Board of Directors;
- (6) The Independent Committee of Outside Directors' resolution that the rights would not be issued, the summary thereof, the reasons for the decision that the Rights should not be issued, and other items determined as appropriate by the Independent Committee of Outside Directors;
- (7) The items recognized as necessary by the Independent Committee of Outside Directors in the event of the occurrence of changes to the facts related, etc., to the premises of the decision for the resolution in the above (4) or (6) and the Independent Committee of Outside Directors revises its decision, including the cancellation of the issuance of the Rights or the proposal to issue the Rights; and
- (8) The items recognized as necessary by the Board of Directors in the event of the occurrence of changes to the facts related, etc., to the premises of the decision for the resolution in the above (5) and the Board of Directors revises its decision.

#### 4. Criteria for Advice on the Issuance of the Rights

The Independent Committee of Outside Directors will, in principle, advise the Board of Directors to issue the Rights unless the Independent Committee of Outside Directors decides that the Acquisition subject to this Policy satisfies all the criteria described below:

- 1) The Acquisition is conducted in accordance with procedures stipulated in this Policy;
- 2) The Acquisition will not cause damage to the Company's corporate value and the common interests of the shareholders by the following:
  - (1) Accumulating shares with the intent of requiring the Company to buy them back at a higher price;
  - (2) Temporarily taking control of the management of the Company and running the Company in the interests of the Acquirer at the expense of the Company, such as acquiring the Company's important assets at low prices;
  - (3) Pledging assets of the Company as collateral for debts of the Acquirer or its group companies or using the Company's funds to repay such debts; or
  - (4) Temporarily taking control of management of the Company and selling valuable assets that are currently not related to the Company's businesses and declaring temporarily high dividends with profits from the disposition, or selling the shares at a higher price after the share price rose due to temporarily high dividends;
- 3) The Acquisition would not coerce shareholders into selling their shares in situations such as two-tiered takeovers (takeovers that coerce shareholders into accepting a higher priced front-end tender offer by setting unfavorable terms or not specifically indicating terms for the back end of the transaction, without offering to buy all shares at the front end);
- 4) The Acquisition gives the Company a reasonable period of time to make proposals for alternatives to the subject Acquisition;
- 5) The Acquisition provides, or sufficiently provides, in light of the current or future shareholding rate or other relevant information of such Acquirer, the shareholders of the Company with information to examine the substance of the Acquisition, such as summary information of the Acquirer (including the information set forth in Appendix 2, Section 1), how the price for the Acquisition was calculated (including the information set forth in Appendix 2, Section 3), evidence of the funds for the Acquisition (including the information set forth in Appendix 2, Section 4), and management policy, business plan, capital policy and dividend policy after the Acquisition (including the information set forth in Appendix 2, Section 5);
- 6) The conditions of the Acquisition (including the information set forth in Appendix 2, Sections 2 and 6) are not insufficient or inadequate, taking into consideration the intrinsic value of the Company;
- 7) The Acquisition will not violate the applicable laws and the Company's articles of incorporation;

- 8) The acts of the Acquirer as shareholder will not adversely affect the management of the Company and will not materially harm the Company's corporate value and the common interests of the shareholders; and
- 9) The Acquisition will not materially harm the Company's corporate value and the common interests of the shareholders in accordance with the applicable laws, administrative advice, court decisions or rules of the stock exchanges.

## 5. Effective Period of This Policy

This Policy will remain effective until June 30, 2021.

After the adoption of this Policy, the Independent Committee of Outside Directors will every year, after the ordinary general shareholders meeting, review the continuation, revision or abolishment of this Policy. The Independent Committee of Outside Directors will propose the result of that review to the Board of Directors, who will accordingly continue, revise or abolish the Policy. The term of each Company director is one (1) year. Each director is appointed at the ordinary shareholders meeting held every June. Since the Company does not have a staggered board or restrictions on dismissing directors, any director may be appointed or dismissed at a shareholders meeting, and the Board of Directors made up of the directors appointed at such shareholders meeting will receive proposals of the Independent Committee of Outside Directors, and it will be possible for the Board of Directors to resolve to abolish this Policy that the Rights will not be issued. In this regard, the Company believes that this Policy can fully reflect the shareholders' intentions with regard to adopting, maintaining, continuing or abolishing this Policy.

Even during the effective period of this Policy, if necessary, the Company may review or abolish this Policy, or adopt different protection measures based on the Independent Committee of Outside Directors' examination.

## 6. Major Terms of the Rights

The major terms of the Rights to be issued based on this Policy are as stated below. The Company plans to register the issuance of Rights in advance to expedite the issuance.

### 1) Shareholders Subject to the Allocation

The Company will allocate one (1) Right per share held by the shareholders (excluding those held by the Company) who are described or recorded on the last shareholders' list as of the date that the Board of Directors designates as the allocation date (the "Allocation Date") in the issuance resolution for the Rights (the "Issuance Resolution").

### 2) Type and Number of the Shares to Be the Object of the Rights

The type of the shares to be the object of the Rights will be common shares of the Company. The number of the shares to be the object of one (1) Right will be one (1) share or a number of shares that the Board of Directors designates in the Issuance Resolution.

### 3) Total Number of the Rights

The maximum number of the Rights will be the same as the total number of the last outstanding shares as of the Allocation Date (excluding the number of common shares held by the Company).

### 4) Price of Issuing the Rights

Free of charge

### 5) Amount Payable upon the Exercise of Rights

The amount payable per Right will be one (1) Japanese Yen.

### 6) Exercise Period of the Rights

The exercise period of the Rights will start on the issuance date of the Rights, as designated by the Board of Directors in the Issuance Resolution, and last for a period between one (1) month and two (2) months as designated by the Board of Directors in the Issuance Resolution.

### 7) Conditions to Exercise the Rights

- (1) (i) Specific large volume holders [i.e., (A) the holders<sup>9</sup> of shares issued by the Company<sup>10</sup> whose shareholding ratio<sup>11</sup> exceeds 15% or more or who are approved to be the holders of 15% or more by the Board of Directors, or (B) the persons who purchase<sup>12</sup> the shares issued by the Company<sup>13</sup> by TOB<sup>14</sup> and whose shareholding<sup>15</sup> ratio<sup>16</sup> after the purchase plus the shareholding ratio of his/her special interested persons<sup>17</sup> will be 15% or more; but excluding

<sup>9</sup> Including holders under the Financial Instruments and Exchange Act, Article 27-23(3)

<sup>10</sup> Defined in the Financial Instruments and Exchange Act, Article 27-23(1), the same applies below unless otherwise specified

<sup>11</sup> Defined in the Financial Instruments and Exchange Act, Article 27-23(4)

<sup>12</sup> Defined in the Financial Instruments and Exchange Act, Article 27-2(1), the same applies below

<sup>13</sup> Defined in the Financial Instruments and Exchange Act, Article 27-2(1)

<sup>14</sup> Defined in the Financial Instruments and Exchange Act, Article 27-2(6)

<sup>15</sup> Including those stipulated in the Order for Enforcement of the Financial Instruments and Exchange Act, Article 7(1)

<sup>16</sup> Defined in the Financial Instruments and Exchange Act, Article 27-2(8), the same applies below

<sup>17</sup> Defined in the Financial Instruments and Exchange Act, Article 27-2(7), provided that the persons stipulated in item 1 of such Article 27-2(7) are excluded except for those persons provided for under the Cabinet Order Article 3(2) regarding disclosure of the TOB by persons other than the issuer, the same applies below

persons defined in any of the items (a) through (d) below] as of the date that the Rights are exercised or the Allocation Date; (ii) his or her co-owner<sup>18</sup> (when stipulated in item (A) above); (iii) his or her special interested persons (when stipulated in item (B) above); (iv) persons who succeeded to the Rights from the persons under (i) through (iii) above without the approval of the Board of Directors; or (v) persons deemed by the Board of Directors to be substantially the same as the persons under (i) through (iv) above, or controlled by such persons, or under the same control of such persons (hereinafter (i) through (v), collectively called "Specific Large Volume Holders"), are not allowed to exercise the Rights.

- (a) The Company, the subsidiaries of the Company (defined in Article 8(3) of the Regulations for the Terminology, Format and Method of Preparation of Financial Statements) or the affiliated companies of the Company (defined in Article 8(5) of the Regulations for the Terminology, Format and Method of Preparation of Financial Statements);
  - (b) A person who has acquired a 15% or greater shareholding without the intent to control the business activities of the Company and is deemed by the Board of Directors to be subject to item (A) or (B) above, and who has become not subject to item (A) or (B) above by disposing of shares of the Company within ten (10) days after becoming subject to item (A) or (B) above (which period may be extended by the Board of Directors);
  - (c) A person who is deemed by the Board of Directors to be subject to item (A) or (B) above for a reason not attributable to the person, such as a purchase of that person's own shares by the Company (excluding such person who additionally and intentionally purchased shares afterward); and
  - (d) A person whose position as a shareholder, according to the Board of Directors, will not be against the interests of the Company (provided that when a certain requirement that deems the person not to be against the interests of the Company is established by the Company, such requirement is fulfilled).
- (2) In addition to the provisions stipulated in (1) above, the Rights may not be exercised by those who do not represent that they are not Specific Large Volume Holders or who fail to submit documents that pledge the matters designated by the Board of Directors.

#### 8) Cancellation of the Rights

There are no provisions for reasons or conditions for cancelling the Rights.

#### 9) Assignment of the Rights

The assignment of the Rights will require the approval of the Board of Directors.

Based on 6.7) above, Specific Large Volume Holders may not exercise the Rights. If Specific Large Volume Holders are able to freely assign the Rights to third parties, the Company would not be able to achieve the purpose of preventing any purchase that will harm the Company's corporate value and the common interests of the shareholders. Therefore, the transfer of the Rights under this Policy is restricted. However, Specific Large Volume Holders may assign the Rights to a third party approved by the Board of Directors.

## 7. Impact on Shareholders

### 1) Impact on Shareholders at the Adoption of This Policy

Since the Rights will not be issued at the adoption of this Policy, there will be no specific direct impact on the shareholders' rights and interests.

### 2) Impact on Shareholders upon the Issuance of the Rights

If the Rights are issued, one (1) Right per share of the Company's common stock will be allocated, free of charge, to the shareholders as of the Allocation Date that will be separately stipulated in the Board of Directors' Issuance Resolution. If a shareholder fails to make the relevant payment or to take other relevant procedures regarding the exercise of the Rights during the exercise period, that shareholder's percentage of shares will be diluted by the other shareholders' exercise of the Rights.

Further, the issuance of the Rights will become non-cancellable as of four (4) business days prior to the Allocation Date (including the Allocation Date). The reason for making the Rights non-cancellable as of the Allocation Date is to avoid any loss to shareholders besides the Acquirer due to confusion in the markets or loss of liquidity of the stock. By making the issuance of Rights non-cancellable there is no substantial doubt as to the amount and timing of the dilution of each share. Each share will be diluted but each shareholder will receive at least enough additional shares to offset such dilution. The shareholding percentage of each individual shareholder will either not change or slightly increase.

Even after the Independent Committee of Outside Directors decide on the issuance of the Rights, as mentioned in 3.3)(1) above, if changes occur to the facts related, etc., that were the premises for the decision on the offer from the Acquirer, the Independent Committee of Outside Directors may revise its decision, including the cancellation of the issuance of the Rights. If the issuance of the Rights is cancelled, since there would then be no dilution of the value of each of the Company's shares, investors who purchased or sold shares on the assumption that there would be such a dilution may incur losses depending on the change of the value of the shares.

<sup>18</sup> Defined in the Financial Instruments and Exchange Act, Article 27-23(5), including the persons deemed to be a co-owner under Article 27-23(6) of the Law

### 3) Necessary Procedures for Shareholders after the Issuance of the Rights

#### (1) Procedure for Transfer of Shares

If the Board of Directors resolves that the Rights will be issued, the Company will publish the Allocation Date of the Rights. Since the Rights will be allocated to the shareholders who are described or recorded on the final list of shareholders as of the Allocation Date, shareholders will be required to complete transfers of the registration of the shares by such Allocation Date.

#### (2) Procedure of Application for the Rights

The Company will send the allocation notification of the Rights and the application form for the Rights to the shareholders who are described or recorded on the final list of shareholders as of the Allocation Date. The shareholders will be required to apply for the subscription of the Rights by properly filling in the form, placing a seal and submitting the form to the application-handling agent during the application period that was separately decided by the resolution of the Board of Directors. If the shareholders fail to make an application during the application period, they will lose the application rights and will not be able to subscribe for the Rights.

#### (3) Procedure for Exercise of the Rights

The Company will send the Rights exercise document (its form will be as specified by the Company and will contain the pledge by the shareholder that the shareholder is not a Specific Large Volume Holder) and other documents that are necessary to exercise the Rights to the shareholders who applied for the Rights during the application period. After exercising the Rights, one (1) common share or another number of common shares that is separately designated by the Issuance Resolution per Right will be issued, on the condition that during the exercise period, the shareholders will submit the Rights exercise document designated by the Company and pay one (1) Japanese Yen per Right to the payment-handling agent.

In addition to the above, the details of the methods for the application, the transfer of the registration of shares, payment, etc., will be published or notified to the shareholders after the resolution to issue the Rights. Please confirm the contents of such publication or notification.

The procedures of issuance and exercise of the Rights are, in principle, as stated above. However, the Board of Directors may take other procedures for issuance and exercise to the extent permitted by the laws and regulations at the time of issuance or exercise in order to avoid disadvantages to shareholders who do not subscribe to or exercise the Rights. In this case, the details of the necessary items will be also published or notified to the shareholders. Please confirm the contents of such publication or notification.

## 8. Satisfaction of the Requirements of Guidelines related to Takeover Defense Measures

This Policy is in accordance with the three (3) principles ((i) the principle of the protection and enhancement of the common interests of shareholders, (ii) the principle of prior disclosure and shareholder intent, and (iii) the principle of ensuring necessity and appropriateness) established by the "Guidelines related to Takeover Defense Measures to Protect and Enhance Corporate Value and the Common Interests of Shareholders" promulgated by the Ministry of Economy, Trade and Industry and the Ministry of Justice on May 27, 2005. This Policy is also based on "Regarding the Existence of Takeover Defense Measures based on Various Recent Changes in the Environment" announced in the Corporate Value Conference held on June 30, 2008.

End

## Outline of the Independent Committee of Outside Directors

### 1. Members

All outside directors of the Company

### 2. Resolution Requirements

Resolutions of the Independent Committee of Outside Directors shall be made, in principle, by the majority of all members, who are all required to attend the meeting of the Independent Committee of Outside Directors. In the event that any of the members cannot attend the meeting of the Independent Committee of Outside Directors, resolutions of the Independent Committee of Outside Directors can be made by the majority of present members whose number shall be a majority of all members.

### 3. Matters to Be Resolved, etc.

The Independent Committee of Outside Directors, in principle, shall decide the following matters and advise the Board of Directors on the content of the resolution together with its reason. However, with respect to the resolution for the non-issuance of the Rights and the extension of the Examination Period, the Independent Committee of Outside Directors will not give any advice to the Board of Directors, and the Independent Committee of Outside Directors will decide those matters. Each member of the Independent Committee of Outside Directors shall make their decision from the viewpoint of whether or not the matter will achieve the Company's corporate value and the common interests of the shareholders, and shall not take into consideration the member's personal interests or the interests of other directors or Corporate Officers of the Company:

- (i) Determination of whether an Acquisition is subject to this Policy;
- (ii) The information to be provided by the Acquirer and the Representative Corporate Officer and CEO to the Independent Committee of Outside Directors;
- (iii) Investigation and examination of the content of the Acquisition of the Acquirer;
- (iv) Negotiation with the Acquirer;
- (v) Examination of a proposed alternative to the Acquisition of the Acquirer submitted by the Representative Corporate Officer and CEO and presentation thereof to all of the shareholders;
- (vi) Issuance or non-issuance of the Rights, or an extension of the Examination Period by the Independent Committee of Outside Directors;
- (vii) Adoption, continuance, review, or abolition of this Policy;
- (viii) Examination and adoption of defense measures against share purchases other than under this Policy; and
- (ix) Other matters to be determined by the Board of Directors relating to this Policy or the Rights.

In making judgments regarding the above matters, the Independent Committee of Outside Directors will make efforts to sufficiently collect the necessary information in order to ensure appropriate judgments. Furthermore, the Independent Committee of Outside Directors may obtain advice from third parties independent from the Company Management, including without limitation financial advisors, CPAs, lawyers, consultants and other experts at the Company's expense.



## The Necessary Information

- (1) A profile of the Acquirer and its group (including its joint holders, its special affiliated persons, cooperators or other members of the partner if the Acquirer is a fund) including its specific name, capital relationship and financial details.

For Acquirers who are natural persons, provide such persons' principal occupation or employment for the past five years through the present, including the principal business and address of any corporation or other organization ("Entity") in which the occupation or employment is or was conducted, giving the applicable starting and ending dates for each employment, and the age and citizenship of such persons.

For Acquirers which are Entities, provide the following for such Entity and each of its significant subsidiaries: principal business of such Entity, the jurisdiction of organization, description of its capital stock and long-term debt financial statements for the past three years, description of any material pending legal proceedings to which such Entity or any of its properties is subject, a brief description of the business conducted, names of all directors and officers.

For all Acquirers, disclose if they have been (i) charged or convicted in a criminal proceeding in the past five years (excluding traffic violations or similar misdemeanors), and if any, the crime committed, the penalty (or other disposition) imposed, and the court involved, or (ii) a party to a judicial or administrative proceeding in the past five years that resulted in, or where the relief sought is, a judgment, decree or final order finding such person in violation of, or enjoining future violations or prohibiting activities related to, the Financial Instruments and Exchange Act or the Commercial Code of Japan, and shall disclose the terms of any such judgment, decree or order;

- (2) The purpose, method and terms of the Acquisition (including the type and amount of consideration to be offered, the expected timing of the Acquisition, any related transactions, legality of the Acquisition, and the Acquirer's belief as to the probability of success of the Acquisition);
- (3) The basis of the calculation for the price of the Acquisition (including the facts and assumptions that underlie the calculation, the calculation method, the numerical information which was used for the calculation, the amount of the synergy to be expected from any series of transactions relating to the Acquisition and the basis for such calculations);
- (4) The evidence of the funds for the Acquisition (including the specific name of the provider of the funds (including the substantial provider), the manner in which funds will be raised, and the terms of related transactions);
- (5) The proposed business policy, business plan, capital policy and dividend policy for the Company after the Acquisition (including a share transfer, transfer of business, merger, demerger, stock-for-stock exchange or stock-for-stock transfer, a sale of assets, a reorganization or liquidation, any change in present capital, dividend rates or policy, indebtedness or capitalization, any change in the present management of the Company, any change in the Company's corporate structure, business, business policy or business plan, the acquisition or deposition of securities of the Company, any delisting from a stock exchange, or any change in the Company's constituent documents or any extraordinary transaction);
- (6) The proposed policies regarding employees, business partners, customers, local communities in which the Company operates, and other stakeholders after the Acquisition;
- (7) Situation regarding necessary government approvals, business approvals, and regulatory compliance measures, consents, agreements and approvals necessary to be obtained from third parties, the potential application of anti-trust and/or other competition law and other material laws of jurisdictions in which the Company operates or sells products related to the Acquisition; and
- (8) Other information that the Independent Committee of Outside Directors reasonably deems necessary.



# Consolidated Financial Statements for the 106th Fiscal Year

|   |     |
|---|-----|
| Consolidated Statement of Financial Position..... | 133 |
| Consolidated Statement of Income .....            | 134 |
| Consolidated Statement of Changes in Equity.....  | 135 |
| Notes to Consolidated Financial Statements.....   | 136 |

## Consolidated Statement of Financial Position As of March 31, 2018 (Millions of yen)

| Account Items                   | As of March 31, 2018<br>(The 106th Fiscal Year) | (Reference)<br>As of March 31, 2017<br>(The 105th Fiscal Year) | Account Items  | As of March 31, 2018<br>(The 106th Fiscal Year) | (Reference)<br>As of March 31, 2017<br>(The 105th Fiscal Year) |
|---------------------------------|---|--|--|---|--|
| <b>(Assets)</b>                 |   |  | <b>(Equity)</b>  |   |  |
| <b>Non-current assets</b>       |   |  | <b>Equity attributable to owners of the parent</b>       |   |  |
| Property, plant and equipment   | 103,060   | 103,574  | Share capital  | 44,986  | 44,986   |
| Goodwill                        | 164,960   | 173,965  | Capital surplus  | 77,563  | 77,652   |
| Intangible assets               | 107,440   | 112,501  | Treasury shares  | (35,271)  | (35,888)   |
| Other financial assets          | 47,789  | 54,459   | Retained earnings  | 414,966   | 394,981  |
| Other assets                    | 14,614  | 13,768   | Other components of equity                               | 91,338  | 102,899  |
| Deferred tax assets             | 75,262  | 88,342   | <b>Total Equity attributable to owners of the parent</b> | <b>593,582</b>                                  | <b>584,630</b>   |
| <b>Total non-current assets</b> | <b>513,125</b>                                  | <b>546,609</b>   | <b>Non-controlling interests</b>                         | <b>20,516</b>                                   | <b>17,961</b>  |
| <b>Current assets</b>           |   |  | <b>Total equity</b>                                      | <b>614,098</b>                                  | <b>602,591</b>   |
| Inventories                     | 80,932  | 82,876   | <b>(Liabilities)</b>                                     |   |  |
| Trade and other receivables     | 151,472   | 154,502  | <b>Non-current liabilities</b>                           |   |  |
| Other financial assets          | 18,663  | 42,875   | Borrowings   | 156,738   | 163,474  |
| Other assets                    | 14,314  | 17,126   | Other financial liabilities                              | 3,040   | 2,511  |
| Cash and cash equivalents       | 270,525   | 186,775  | Retirement benefit liabilities                           | 11,060  | 13,788   |
| <b>Total current assets</b>     | <b>535,905</b>                                  | <b>484,155</b>   | Provisions   | 1,356   | 1,216  |
| <b>Total assets</b>             | <b>1,049,031</b>                                | <b>1,030,764</b>   | Other liabilities  | 20,574  | 23,044   |
|                                 |   |  | Deferred tax liabilities                                 | 496   | 448  |
|                                 |   |  | <b>Total non-current liabilities</b>                     | <b>193,263</b>                                  | <b>204,482</b>   |
|                                 |   |  | <b>Current liabilities</b>                               |   |  |
|                                 |   |  | Borrowings   | 16,403  | 50,000   |
|                                 |   |  | Trade and other payables                                 | 68,096  | 70,750   |
|                                 |   |  | Other financial liabilities                              | 51,640  | 3,980  |
|                                 |   |  | Income taxes payable                                     | 9,029   | 5,896  |
|                                 |   |  | Provisions   | 16,031  | 14,647   |
|                                 |   |  | Other liabilities  | 80,470  | 78,418   |
|                                 |   |  | <b>Total current liabilities</b>                         | <b>241,670</b>                                  | <b>223,691</b>   |
|                                 |   |  | <b>Total liabilities</b>                                 | <b>434,932</b>                                  | <b>428,173</b>   |
|                                 |   |  | <b>Total equity and liabilities</b>                      | <b>1,049,031</b>                                | <b>1,030,764</b>   |

(Note) FY2016 (105th fiscal period) is included for reference (not audited).

# Consolidated Statement of Income

From April 1, 2017 To March 31, 2018

(Millions of yen)

| Account Items                                | As of March<br>31, 2018<br>(The 106th<br>Fiscal Year) | (Reference)<br>As of March<br>31, 2017<br>(The 105th<br>Fiscal Year) |
|--|---|--|
| Revenue                                      | 600,054   | 539,097  |
| Cost of sales                                | (201,254)   | (195,905)  |
| <b>Gross profit</b>                          | <b>398,800</b>  | <b>343,192</b>   |
| Selling, general and administrative expenses | (183,857)   | (174,942)  |
| Research and development expenses            | (139,579)   | (117,213)  |
| Other income                                 | 2,995   | 13,587   |
| Other expenses                               | (1,147)   | (5,560)  |
| <b>Operating income</b>                      | <b>77,212</b>   | <b>59,064</b>  |
| Financial income                             | 2,555   | 1,847  |
| Financial costs                              | (2,965)   | (3,243)  |
| <b>Profit before income taxes</b>            | <b>76,803</b>   | <b>57,668</b>  |
| Income taxes                                 | (22,378)  | (15,422)   |
| <b>Profit for the year</b>                   | <b>54,424</b>   | <b>42,246</b>  |
| <b>Profit for the year attributable to</b>   |   |  |
| Owners of the parent                         | 51,845  | 39,358   |
| Non-controlling interests                    | 2,579   | 2,887  |

(Note) FY2016 (105th fiscal period) is included for reference (not audited).

# Consolidated Statement of Changes in Equity

From April 1, 2017 To March 31, 2018

(Millions of yen)

|   | Equity attributable to owners of the parent |                 |                 |                   |  |   |
|---|---|-----------------|-----------------|-------------------|--|---|
|   | Share capital                               | Capital surplus | Treasury shares | Retained earnings | Other components of equity   |   |
|   |   |                 |                 |                   | Financial assets measured at fair value through other comprehensive income | Remeasurements of defined benefit plans |
| <b>As of April 1, 2017</b>                      | <b>44,986</b>                               | <b>77,652</b>   | <b>(35,888)</b> | <b>394,981</b>    | <b>—</b>   | <b>—</b>                                |
| Profit for the year                             | —   | —               | —               | 51,845            | —  | —                                       |
| Other comprehensive income (loss)               | —   | —               | —               | —                 | 6,749  | 4,175                                   |
| <b>Comprehensive income (loss) for the year</b> | <b>—</b>                                    | <b>—</b>        | <b>—</b>        | <b>51,845</b>     | <b>6,749</b>   | <b>4,175</b>                            |
| Dividends                                       | —   | —               | —               | (42,929)          | —  | —                                       |
| Share-based payments                            | —   | (236)           | —               | —                 | —  | —                                       |
| Acquisition of treasury shares                  | —   | —               | (38)            | —                 | —  | —                                       |
| Disposal of treasury shares                     | —   | 150             | 655             | —                 | —  | —                                       |
| Reclassification                                | —   | —               | —               | 10,924            | (6,749)  | (4,175)                                 |
| Other changes                                   | —   | (4)             | —               | 146               | —  | —                                       |
| <b>Total transactions with owners</b>           | <b>—</b>                                    | <b>(90)</b>     | <b>617</b>      | <b>(31,860)</b>   | <b>(6,749)</b>   | <b>(4,175)</b>                          |
| <b>As of March 31, 2018</b>                     | <b>44,986</b>                               | <b>77,563</b>   | <b>(35,271)</b> | <b>414,966</b>    | <b>—</b>   | <b>—</b>                                |

|  | Equity attributable to owners of the parent               |                  |                                  |   | Non-controlling interests | Total equity |
|--|---|------------------|----------------------------------|---|---------------------------|--------------|
|  | Other components of equity                                |                  |                                  | Equity attributable to owners of the parent |                           |              |
|  | Exchange differences on translation of foreign operations | Cash flow hedges | Total other components of equity |   |                           |              |
| As of April 1, 2017                      | 103,536   | (637)            | 102,899                          | 584,630                                     | 17,961                    | 602,591      |
| Profit for the year                      | —   | —                | —                                | 51,845                                      | 2,579                     | 54,424       |
| Other comprehensive income (loss)        | (11,748)  | 187              | (637)                            | (637)                                       | 13                        | (624)        |
| Comprehensive income (loss) for the year | (11,748)  | 187              | (637)                            | 51,208                                      | 2,593                     | 53,801       |
| Dividends                                | —   | —                | —                                | (42,929)                                    | (41)                      | (42,970)     |
| Share-based payments                     | —   | —                | —                                | (236)                                       | —                         | (236)        |
| Acquisition of treasury shares           | —   | —                | —                                | (38)  | —                         | (38)         |
| Disposal of treasury shares              | —   | —                | —                                | 805   | —                         | 805          |
| Reclassification                         | —   | —                | (10,924)                         | —   | —                         | —            |
| Other changes                            | —   | —                | —                                | 142   | 4                         | 146          |
| Total transactions with owners           | —   | —                | (10,924)                         | (42,256)                                    | (37)                      | (42,293)     |
| As of March 31, 2018                     | 91,788  | (450)            | 91,338                           | 593,582                                     | 20,516                    | 614,098      |

# Notes to Consolidated Financial Statements

## [SIGNIFICANT BASIC ITEMS FOR CONSOLIDATED FINANCIAL STATEMENTS]

### 1. Basis of Preparing Consolidated Financial Statements

Consolidated financial statements of Eisai Co., Ltd. ("the Company") and its affiliates (collectively referred to as "the Group") are prepared in accordance with International Financial Reporting Standards (hereinafter referred to as "IFRS") based on Article 120, paragraph 1 of the Ordinance on Company Accounting. The consolidated financial statements omit certain disclosures, which are required by IFRS, based on Article 120, the later part of paragraph 1 of the Ordinance on Company Accounting.

### 2. Scope of consolidation

(1) Number of consolidated subsidiaries and names of significant subsidiaries

Subsidiaries: 44 companies

Major subsidiaries:

EA Pharma Co., Ltd.

Eisai Inc.

Eisai China Inc.

(2) Change in scope of consolidation

Decrease: one company (due to merger)

### 3. Equity method

Associated companies accounted for under the equity method: one company

Name of the associated company

Bracco-Eisai Co., Ltd.

### 4. Fiscal year-end of subsidiaries

The fiscal year-end for Eisai China Inc. and six other subsidiaries is December 31. The provisional financial statements available at the consolidated fiscal year-end date are used when preparing the consolidated financial statements.

### 5. Accounting policies and methods

(1) Measurement and valuation of significant assets

#### ① Financial assets

All financial assets are measured at fair value at initial recognition and classified as follows:

#### a) Financial assets measured at amortized cost

Debt instruments that meet the conditions below are classified as financial assets measured at amortized cost.

- The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows
- The contractual terms of the financial asset give rise on specified dates to cash flows that solely relate to payments of principal and interest on the principal amount outstanding

The financial assets measured at amortized cost are initially recognized as the sum of the fair value and transaction costs, and recognized at amortized cost calculated by the effective interest method less impairment loss after initial recognition.

The Group assesses whether there is any objective evidence that financial assets measured at amortized cost are impaired at the consolidated fiscal year-end date. The assessment is performed on each financial asset that is individually significant, while it is performed separately or collectively on financial assets that are not individually significant.

If there is any objective evidence of impairment, an impairment loss is recognized as the difference between the carrying amount and estimated future cash flows discounted by the effective interest rate for the financial asset. An impairment loss is recognized, with the carrying amount of financial assets being reduced either directly or through use of an allowance for doubtful accounts.

b) Financial assets at fair value through profit or loss (FVTPL financial assets)

Debt financial assets that are not classified as financial assets measured at amortized cost are classified as FVTPL financial assets.

FVTPL financial assets are initially recognized at fair value, and any movement of fair value as well as gains/losses on their sale are recognized as financial income/expenses after initial recognition.

c) Financial assets at fair value through other comprehensive income (FVTOCI financial assets)

All equity instruments are classified as FVTOCI financial assets.

FVTOCI financial assets are initially recognized as the sum of fair value and transaction costs. Movement of fair value as well as gains/losses on their sale are recognized as other comprehensive income, while the cumulative amount is reclassified to retained earnings after it is recognized as other components of equity.

② Inventories

Inventories are measured at the lower of cost, or net realizable value. The costs are determined using the weighted-average cost method. The net realizable value is determined as the estimated selling price less the estimated costs necessary to complete goods and expenses necessary to sell.

(2) Depreciation and amortization of significant depreciable assets

① Property, plant and equipment

Depreciation is recognized by reducing acquisition cost of assets less residual value using the straight-line method over the estimated useful lives of the assets. Estimated useful lives, residual value and depreciation methods are reviewed at each consolidated fiscal year-end date, and the effects of any changes in estimation are reflected on a prospective basis.

The estimated useful lives of significant property, plant and equipment are as follows:

|                         |                |
|-------------------------|----------------|
| Buildings               | 15 to 50 years |
| Machinery and equipment | 5 to 20 years  |

② Intangible assets

Amortization is recognized using the straight-line method over the estimated useful lives of the intangible assets. Estimated useful lives, residual value and amortization methods are reviewed at each fiscal year-end date, and the effects of any changes in estimation are reflected on a prospective basis.

The estimated useful lives of significant intangible assets are as follows:

|                 |                |
|-----------------|----------------|
| Sales rights    | 10 to 15 years |
| Core technology | 20 years       |
| Software        | 5 years        |

Intangible assets with indefinite useful lives or not yet available for use are not amortized, but an impairment test for those assets is performed at the same time every year or when there is an indication that the assets might be impaired.

## (3) Accounting for significant allowances and provisions

Provisions are recognized when the Group has a legal or constructive obligation arising from a past event that can be measured with sufficient reliability as a present obligation, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

The amount recognized as a provision is the best estimate of the expenditure required to settle the present obligation at the consolidated fiscal year-end date, considering risks and uncertainties. The carrying amount of a provision is measured at estimated cash flows that are discounted to be the present value when the effect of the time value of money is material. When discounting is used, the increase in carrying amount of a provision in each period to reflect the passage of time is recognized as a financial cost.

## ① Provision for sales rebates

To account for possible sales rebates for finished goods and merchandise sold that may be incurred after the consolidated fiscal year-end date, provision for sales rebates is provided by multiplying the amount of revenue by the estimated sales rebate ratio.

## ② Provision for asset retirement obligation

To account for the obligation of restoring the rental buildings and lands on which the Group is located and removing harmful materials related to property, plant and equipment which the Group is using, provision for asset retirement obligation is estimated and recognized depending on individual circumstances, and is based on an estimated usage period determined by past results of restoration and the useful lives of additional fixtures in the rental buildings.

## ③ Provision for restructuring costs

Provision for restructuring costs is mainly related to restructuring of the business organization. Provision for restructuring costs is recognized when the Group has a detailed formal plan for the restructuring and has raised a valid expectation to those affected that it will carry out the restructuring by starting to implement that plan or announcing its main scheme to those affected by it.

## (4) Accounting for employee benefits

## ① Post-employment benefits

The Group has adopted defined benefit plans and defined contribution plans.

Regarding defined benefit plans, current service costs are recognized as expenses using the projected unit credit method in actuarial calculations at each consolidated fiscal year-end date. All of the actuarial gains/losses incurred in the period are recognized as other comprehensive income, while the cumulative amount is reclassified to retained earnings after it is recognized as other components of equity. Retirement benefit liabilities are the present value of the defined benefit obligations less the fair value of the plan assets.

Regarding defined contribution plans, contributions of the Group are recognized as expenses at the time employees render services that give pension rights to them.

## ② Termination benefits

Termination benefits are provided in the case that the Group decides to terminate an employee before the normal retirement date, or an employee voluntarily decides to accept an offer of benefits in exchange for the termination of employment. The termination benefits are recognized as expenses upon termination of employment, if the Group has detailed official plans related to termination of an employee and can no longer withdraw the offer of the benefits.

- (5) Translation of significant assets and liabilities denominated in foreign currencies into Japanese yen  
Each company in the Group determines its own functional currency for its separate financial statements, and transactions in these companies are presented in their functional currency. On the other hand, the consolidated financial statements of the Group are presented in Japanese yen, which is the functional currency of the Company.

Foreign currency transactions are translated into the functional currency using exchange rates at the date of the transactions or approximations of rates at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency using the spot exchange rates at the consolidated fiscal year-end date. Exchange differences arising from translation or settlement are recognized in profit or loss.

For the purpose of recording operating results and financial positions of foreign operations in the consolidated financial statements, assets and liabilities of foreign operations are presented in Japanese yen translated at spot exchange rates at the consolidated fiscal year-end date. Income and expense items of foreign operations are translated at average exchange rates. The resulting translation differences are recognized as other comprehensive income, while the cumulative amounts are recognized as other components of equity. In addition, accumulated translation differences are recognized as profit or loss when the foreign operations are disposed of.

- (6) Significant hedge accounting

The Group utilizes derivatives, including interest rate swap contracts and forward foreign exchange contracts in order to reduce the risks related to changes in interest and exchange rates. These derivatives are measured at fair value and recognized as assets or liabilities at the contract date.

Movements of fair value after initial recognition are recognized as profit or loss if the hedged items and hedging instruments do not meet the conditions of hedge accounting. The accounting treatments that meet the conditions of hedge accounting are as follows:

- ① Fair value hedges

Regarding derivatives for the purpose of hedging risks of changes in fair value of hedged items, these changes in fair value are immediately recognized in profit or loss. At the same time, the changes in fair value on the hedged item attributable to the hedged risk adjusts the carrying amount of the hedged item, and is recognized in profit or loss.

- ② Cash flow hedges

Regarding derivatives for the purpose of hedging risks of cash flow movements on hedged items, the movements of derivative assets or liabilities are recognized in other comprehensive income, while cumulative amounts are recognized as other components of equity until the fair value movements of the hedged items are recognized as profit or loss. The amount recognized as other components of equity is reclassified to profit or loss when the fair value movements of the hedged items are recognized as profit or loss, in order to offset the effects.

- (7) Goodwill

Goodwill arising from business combinations is recognized as an asset at the date the Group obtains control of the entity (acquisition date). Goodwill is measured as the amount by which the sum of the fair value of the consideration, non-controlling interests in the acquiree and fair value of the proportionate share that the Group held at the date the Group obtains control of the acquiree exceeds the net amount of identifiable assets and liabilities. On the other hand, if the sum of the acquisition costs is lower than the net amount of identifiable assets and liabilities, the difference is directly recognized as profit or loss.



Goodwill is allocated to groups of cash-generating units that are expected to benefit from the synergies of the business combinations. Goodwill is not amortized; however, a test of impairment is performed for groups of cash-generating units to which goodwill is allocated at the same time every year or when there is an indication that the assets might be impaired. In the case that the recoverable amount of groups of cash-generating units is lower than the carrying amount, the reduction is recognized as an impairment loss.

(8) Other significant basic items for preparation of consolidated financial statements

① Presentation currency and unit

The consolidated financial statements are presented in Japanese yen, which is the Company's functional currency, and figures less than ¥1 million are rounded to the nearest million yen.

② Accounting for consumption and other taxes

The Company and its domestic subsidiaries exclude consumption taxes and local consumption taxes from revenues and expenses.

## 6. Changes in Accounting Policies

The Group has adopted the following major accounting standards and interpretations from the fiscal year ended March 31, 2018.

| Accounting standards and interpretations |              | Description   |
|--|--------------|---|
| IAS 12                                   | Income Taxes | Clarification of accounting methods applicable to deferred tax assets for unrealized losses |

The effect of Accounting standards and interpretations above on the consolidated financial statements is immaterial.

## [NOTES TO CONSOLIDATED STATEMENT OF FINANCIAL POSITION]

### 1. Allowance for doubtful accounts directly reducing the carrying amount of the asset

Trade and other receivables ¥128 million

### 2. Accumulated depreciation of assets (including accumulated loss on impairment)

Accumulated depreciation of property, plant and equipment ¥197,253 million

## [NOTES TO CONSOLIDATED STATEMENT OF INCOME]

### 1. Selling, general and administrative expenses, research and development expenses

From the fiscal year ended March 31, 2018, the Group has clarified the definition of research and development (R&D) expenses in order to more accurately reflect the condition of the business, and this has resulted in a portion of expenses relating to medical affairs activities, such as creation and provision of scientific evidence for health care providers, being apportioned to R&D expenses.

## [NOTES TO CONSOLIDATED STATEMENT OF CHANGES IN EQUITY]

### 1. Total number of shares issued and outstanding at the end of the fiscal year ended

March 31, 2018. Common shares 296,566,949 shares

## 2. Dividends

(1) Dividends paid in the fiscal year ended March 31, 2018

① The following was resolved by the Board of Directors on May 10, 2017.

|   |                 |
|---|-----------------|
| • Items related to dividends on common shares |                 |
| a) Total amount of dividends paid             | ¥22,893 million |
| b) Cash dividends per share                   | ¥80.00          |
| c) Record date                                | March 31, 2017  |
| d) Effective date                             | May 19, 2017    |

② The following was resolved by the Board of Directors on November 1, 2017.

|   |                    |
|---|--------------------|
| • Items related to dividends on common shares |                    |
| a) Total amount of dividends paid             | ¥20,036 million    |
| b) Cash dividends per share                   | ¥70.00             |
| c) Record date                                | September 30, 2017 |
| d) Effective date                             | November 17, 2017  |

(2) Dividends to be paid in the following consolidated fiscal year, for which the record date is within the fiscal year ended March 31, 2018

① The following will be resolved at the Board of Directors' meeting on May 15, 2018.

|   |                   |
|---|-------------------|
| • Items related to dividends on common shares |                   |
| a) Total amount of dividends to be paid       | ¥22,907 million   |
| b) Source of dividends to be paid             | Retained earnings |
| c) Cash dividends per share                   | ¥80.00            |
| d) Record date                                | March 31, 2018    |
| e) Effective date                             | May 24, 2018      |

## 3. Type and number of treasury shares owned as of the end of the fiscal year ended March 31, 2018

|               |                   |
|---------------|-------------------|
| Common shares | 10,295,790 shares |
|---------------|-------------------|

(Of the Company's treasury shares, 67,291 shares are held through a trust.)

## 4. Number of shares to be issued for stock options as of the end of the fiscal year ended March 31, 2018

|               |                |
|---------------|----------------|
| Common shares | 624,000 shares |
|---------------|----------------|

## [FINANCIAL INSTRUMENTS]

### 1. Financial instruments – Overview

The Group holds surplus funds in safe and highly liquid financial assets and finances itself by borrowing from financial institutions and issuing bonds and debentures.

Credit risks of trade and other receivables are reduced in accordance with credit management based on the Group's credit control procedures.

Foreign currency exchange risks of trade and other receivables in foreign currencies are reduced through the use of forward exchange contracts. Interest rate risks in relation to long-term borrowings are reduced through the use of interest rate swap transactions. Derivative transactions are used in order to avoid the risk related to currency exchange or change in interest rate, and the Group does not intend to enter into these transactions for speculative purposes.

Market price fluctuation risk for equity securities is reduced by regularly monitoring the market value and financial conditions of the issuers (business partners).

## 2. Fair value of financial instruments

### (1) Fair value measurement

Fair value measurement of the Group's significant financial assets and liabilities is as follows:

#### ① Equity securities

The fair value of listed equity securities is measured based on market values.

The fair value of non-listed stocks is measured by using several appropriate measurement techniques.

#### ② Investment trusts and debt securities

The fair value of investment trusts and debt securities is measured using price information provided by correspondent financial institutions.

#### ③ Derivative assets and liabilities

Derivative assets and liabilities are measured using price information provided by correspondent financial institutions.

#### ④ Borrowings

The fair value of variable interest rate borrowings is deemed to be the carrying amount as the interest rate approximates the market rate. The fair value of fixed interest rate borrowings is calculated by discounting the total amount of principal and interest payments by the interest rates that would presumably apply if similar borrowings were newly made.

### (2) Carrying amount and fair value

The carrying amount and fair value of financial instruments as of the end of the fiscal year ended March 31, 2018, were as follows. Financial instruments measured at fair value and whose fair value corresponds to or approximates the carrying amount are excluded.

|            | Carrying amount | Fair value |
|------------|-----------------|------------|
| Borrowings | 173,141         | 172,991    |

(Millions of yen)

## [PER SHARE INFORMATION]

|   |           |
|---|-----------|
| Equity per share attributable to owners of the parent             | ¥2,073.50 |
| Earnings per share attributable to owners of the parent (basic)   | ¥181.18   |
| Earnings per share attributable to owners of the parent (diluted) | ¥180.97   |

(Note) The Company's shares held through a trust are included in the treasury shares that are deducted from the calculation of per share information above.

## [SIGNIFICANT SUBSEQUENT EVENTS]

Not applicable

# Financial Statements for the 106th Fiscal Year

|   |     |
|---|-----|
| Non-consolidated Balance Sheet .....                  | 143 |
| Non-consolidated Statement of Income .....            | 144 |
| Non-consolidated Statement of Changes in Equity ..... | 145 |
| Notes to Non-consolidated Financial Statements .....  | 146 |

## Non-consolidated Balance Sheet

As of March 31, 2018

(Millions of Yen)

| Account Items  | Amount         |
|--|----------------|
| <b>(Assets)</b>                                      |                |
| <b>Current assets</b>                                | <b>239,324</b> |
| Cash and deposits                                    | 77,060         |
| Notes receivable-trade                               | 156            |
| Accounts receivable-trade                            | 81,335         |
| Securities   | 501            |
| Merchandise and finished goods                       | 21,985         |
| Work-in-process                                      | 11,496         |
| Raw materials and supplies                           | 10,029         |
| Deferred tax assets                                  | 21,591         |
| Other  | 15,170         |
| <b>Non-current assets</b>                            | <b>518,432</b> |
| <b>Property, plant and equipment</b>                 | <b>44,167</b>  |
| Buildings  | 26,798         |
| Structures   | 1,017          |
| Machinery and equipment                              | 2,384          |
| Vehicles and delivery equipment                      | 1              |
| Tools, furniture and fixtures                        | 3,984          |
| Land   | 8,634          |
| Leased assets  | 890            |
| Construction in progress                             | 460            |
| <b>Intangible assets</b>                             | <b>50,718</b>  |
| Software   | 8,217          |
| Sales rights   | 42,371         |
| Other  | 129            |
| <b>Investments and other assets</b>                  | <b>423,548</b> |
| Investment securities                                | 41,321         |
| Investments in subsidiaries and associated companies | 368,327        |
| Capital contribution                                 | 1              |
| Long-term loans receivable                           | 1              |
| Long-term prepaid expenses                           | 1,071          |
| Deferred tax assets                                  | 2,443          |
| Other  | 10,466         |
| Allowance for doubtful accounts                      | (83)           |
| <b>Total assets</b>                                  | <b>757,756</b> |

| Account Items   | Amount          |
|---|-----------------|
| <b>(Liabilities)</b>  |                 |
| <b>Current liabilities</b>  | <b>154,189</b>  |
| Accounts payable-trade  | 16,623          |
| Short-term loans payable  | 10,500          |
| Current portion of long-term loans payable                        | 5,000           |
| Lease obligations   | 273             |
| Accounts payable-other  | 58,004          |
| Accrued expenses  | 10,736          |
| Income taxes payable  | 5,178           |
| Deposits received   | 43,529          |
| Provision for sales returns                                       | 2,723           |
| Other   | 1,623           |
| <b>Non-current liabilities</b>                                    | <b>139,322</b>  |
| Long-term borrowings  | 125,000         |
| Lease obligations   | 617             |
| Liability for retirement benefits                                 | 10,683          |
| Asset retirement obligations                                      | 716             |
| Other   | 2,306           |
| <b>Total liabilities</b>  | <b>293,511</b>  |
| <b>(Equity)</b>   |                 |
| <b>Shareholders' equity</b>                                       | <b>448,259</b>  |
| <b>Common stock</b>   | <b>44,986</b>   |
| <b>Capital surplus</b>  | <b>57,941</b>   |
| Capital reserve   | 55,223          |
| Other capital surplus   | 2,718           |
| <b>Retained earnings</b>  | <b>380,737</b>  |
| Legal reserve   | 7,900           |
| Other   | 372,837         |
| Reserve for advanced depreciation of non-current assets           | 141             |
| General reserve   | 337,880         |
| Unappropriated retained earnings                                  | 34,816          |
| <b>Treasury stock</b>   | <b>(35,405)</b> |
| <b>Valuation difference and translation adjustments</b>           | <b>15,704</b>   |
| <b>Valuation difference on available-for-sale securities</b>      | <b>16,155</b>   |
| <b>Deferred gain (loss) on derivatives under hedge accounting</b> | <b>(450)</b>    |
| <b>Stock options</b>  | <b>281</b>      |
| <b>Total equity</b>   | <b>464,245</b>  |
| <b>Total liabilities and equity</b>                               | <b>757,756</b>  |

## Non-consolidated Statement of Income

From April 1, 2017 To March 31, 2018

(Millions of Yen)

| Account Items                                | Amount |                |
|--|--------|----------------|
| Net sales                                    |        | 334,051        |
| Cost of sales                                |        | 102,349        |
| <b>Gross profit</b>                          |        | <b>231,702</b> |
| Selling, general and administrative expenses |        | 189,908        |
| <b>Operating income</b>                      |        | <b>41,794</b>  |
| Non-operating income                         |        |                |
| Interest income                              | 6      |                |
| Dividend income                              | 781    |                |
| Foreign exchange gain                        | 88     |                |
| Entrusted research income                    | 1,158  |                |
| Other  | 588    | 2,621          |
| Non-operating expenses                       |        |                |
| Interest expense                             | 1,537  |                |
| Entrusted research expense                   | 1,125  |                |
| Other  | 238    | 2,900          |
| <b>Ordinary income</b>                       |        | <b>41,515</b>  |
| Extraordinary gains                          |        |                |
| Gain on sales of fixed assets                | 1,397  |                |
| Gain on sales of investment securities       | 2,094  |                |
| Gain on reversal of stock options            | 146    | 3,637          |
| Extraordinary losses                         |        |                |
| Loss on disposal of fixed assets             | 85     |                |
| Loss on sales of investment securities       | 3      | 88             |
| <b>Income before income taxes</b>            |        | <b>45,064</b>  |
| Income taxes-current                         | 3,778  |                |
| Income taxes-deferred                        | 7,856  | 11,633         |
| <b>Net income</b>                            |        | <b>33,431</b>  |

# Non-consolidated Statement of Changes in Equity

From April 1, 2017 To March 31, 2018

(Millions of Yen)

|  | Shareholders' equity |                 |                       |          |                   |   |                 |                                  |                         |
|--|----------------------|-----------------|-----------------------|----------|-------------------|---|-----------------|----------------------------------|-------------------------|
|  | Common stock         | Capital surplus |                       |          | Retained earnings |   |                 |                                  |                         |
|  |                      | Capital reserve | Other capital surplus | Subtotal | Legal reserve     | Other retained earnings                                 |                 |                                  | Total retained earnings |
|  |                      |                 |                       |          |                   | Reserve for advanced depreciation of non-current assets | General reserve | Unappropriated retained earnings |                         |
| As of April 1, 2017                                  | 44,986               | 55,223          | 2,597                 | 57,819   | 7,900             | 141   | 337,880         | 44,315                           | 390,236                 |
| Changes in the year                                  |                      |                 |                       |          |                   |   |                 |                                  |                         |
| Dividends  | —                    | —               | —                     | —        | —                 | —   | —               | (42,929)                         | (42,929)                |
| Net income   | —                    | —               | —                     | —        | —                 | —   | —               | 33,431                           | 33,431                  |
| Disposal of treasury stock                           | —                    | —               | 122                   | 122      | —                 | —   | —               | —                                | —                       |
| Acquisition of treasury stock                        | —                    | —               | —                     | —        | —                 | —   | —               | —                                | —                       |
| Changes in items other than shareholders' equity-net | —                    | —               | —                     | —        | —                 | —   | —               | —                                | —                       |
| Net changes in the year                              | —                    | —               | 122                   | 122      | —                 | —   | —               | (9,498)                          | (9,498)                 |
| As of March 31, 2018                                 | 44,986               | 55,223          | 2,718                 | 57,941   | 7,900             | 141   | 337,880         | 34,816                           | 380,737                 |

|  | Shareholders' equity |                | Valuation difference and translation adjustments      |  |               | Stock options | Total equity   |
|--|----------------------|----------------|---|--|---------------|---------------|----------------|
|  | Treasury stock       | Subtotal       | Valuation difference on available-for-sale securities | Deferred gain (loss) on derivatives under hedge accounting | Subtotal      |               |                |
| <b>As of April 1, 2017</b>                           | <b>(36,050)</b>      | <b>456,991</b> | <b>10,772</b>   | <b>(637)</b>   | <b>10,134</b> | <b>517</b>    | <b>467,642</b> |
| Changes in the year                                  |                      |                |   |  |               |               |                |
| Dividends  | —                    | (42,929)       | —   | —  | —             | —             | (42,929)       |
| Net income   | —                    | 33,431         | —   | —  | —             | —             | 33,431         |
| Disposal of treasury stock                           | 684                  | 805            | —   | —  | —             | —             | 805            |
| Acquisition of treasury stock                        | (38)                 | (38)           | —   | —  | —             | —             | (38)           |
| Changes in items other than shareholders' equity-net | —                    | —              | 5,383   | 187  | 5,570         | (236)         | 5,334          |
| Net changes in the year                              | 645                  | (8,731)        | 5,383   | 187  | 5,570         | (236)         | (3,397)        |
| <b>As of March 31, 2018</b>                          | <b>(35,405)</b>      | <b>448,259</b> | <b>16,155</b>   | <b>(450)</b>   | <b>15,704</b> | <b>281</b>    | <b>464,245</b> |

# Notes to Non-consolidated Financial Statements

## [SIGNIFICANT ACCOUNTING POLICIES]

### 1. Measurement and cost basis for marketable and investment securities

#### (1) Investment in subsidiaries and associated companies

Measured at cost determined by the moving-average method

#### (2) Available-for-sale securities

Marketable securities

Measured at fair value as of the fiscal year-end date (Unrealized gains/losses, net of applicable taxes, are reported in a separate component of equity. The cost of securities sold is determined by the moving-average method.)

Non-marketable securities

Measured at cost determined by the moving-average method

### 2. Measurement and cost formula for derivatives

Measured at fair value

### 3. Measurement and cost formula for inventories

Merchandise, finished goods, work-in-process, raw materials and supplies

The Company records inventories at cost determined by the weighted-average cost method. (The carrying amount of inventories is written down in cases of a decrease in net realizable value.)

### 4. Depreciation and amortization

#### (1) Property, plant and equipment (excluding leased assets)

The straight-line method is applied. The estimated main useful lives of the significant assets are as follows:

|                         |                |
|-------------------------|----------------|
| Buildings               | 15 to 50 years |
| Machinery and equipment | 6 to 7 years   |

#### (2) Intangible assets (excluding leased assets)

The straight-line method is applied. The main amortization periods of the significant assets are as follows:

|                           |               |
|---------------------------|---------------|
| Software for internal use | 5 years       |
| Sales rights              | 5 to 10 years |

#### (3) Leased assets

Finance lease transactions that do not transfer ownership

Leased assets are depreciated by the straight-line method over the useful life of the lease period and with a residual value of zero.

### 5. Accounting for allowances and provisions

#### (1) Allowance for doubtful accounts

To account for potential losses on notes and accounts receivable, loans receivable and other items, estimated uncollectable amounts are provided. For general accounts, allowances are calculated based on past credit loss experience. For specific accounts, such as those with the possibility of default, uncollectable allowances are calculated based on respective collectability.

#### (2) Provision for sales returns

Provision for sales returns is provided for estimated losses arising from sales returns based on historical experience of customer returns. In addition, provisions for sales returns are directly deducted from net sales.

#### (3) Liability for retirement benefits

For employee retirement benefits, the Company provides a liability for retirement benefits to be determined at the fiscal year-end date, which is derived from the projected benefit obligations and estimated plan assets at the fiscal year-end date.

Projected retirement and severance benefit obligations attributed to the fiscal year-end date are calculated on a benefit formula basis.

Prior service costs are amortized over five years by the straight-line method and recognized as operating expenses starting from the revision date.



Actuarial gains/losses are amortized over five years by the straight-line method and recognized as operating expenses starting from the fiscal year subsequent to the fiscal year during which each gain/loss was incurred.

## 6. Translation of assets and liabilities denominated in foreign currencies

Monetary receivables and payables denominated in foreign currencies are translated into Japanese yen at the current exchange rates at the fiscal year-end date. Foreign exchange gains/losses from translation are recognized in profit or loss.

## 7. Hedge accounting

### (1) Hedge accounting

The Company defers gains/losses from measurement of derivatives until maturity of the hedging transactions.

### (2) Hedging instruments and hedged items

#### ① Hedging instruments

Forward exchange contracts and interest rate swaps

#### ② Hedged items

Receivables and payables for ordinary business, including committed transactions denominated in foreign currencies and borrowings

### (3) Hedge policy

The Company uses hedging transactions in the ordinary course of business under its internal rules to reduce the exposure of fluctuation in foreign currency exchange rates (securement of fixed cash flows).

The Company uses hedging transactions, in the ordinary course of business under its internal rules, to reduce the exposure of fluctuations in interest rates on its borrowings (securement of fixed cash flows).

### (4) Evaluation of effectiveness of hedges

The hedge effectiveness of forward exchange contracts assigned to receivables and payables in foreign currencies is evaluated by comparing market fluctuations of the hedging instruments with those of the hedged items.

The effectiveness of derivatives used for hedged borrowings is evaluated by comparing the cumulative cash flow fluctuations of the hedged items or market fluctuations with cumulative cash flow fluctuations of the hedging instruments or market fluctuations.

## 8. Other significant accounting policies for non-consolidated financial statements

### (1) Accounting for consumption and other taxes

Consumption taxes and local consumption taxes are excluded from revenues and expenses.

### (2) Application of the consolidated tax payment system

The Company has applied the consolidated tax payment system.

### (3) Presentation unit

Figures less than ¥1 million are rounded to the nearest million yen.

## [NOTES TO NON-CONSOLIDATED BALANCE SHEET]

### 1. The amount of accumulated depreciation of property, plant and equipment (including accumulated loss on impairment)

¥141,036 million

### 2. Guarantee Obligations

(Millions of yen)

| Guarantee                | Details  | Amount |
|--------------------------|--|--------|
| Eisai Manufacturing Ltd. | Commitment to guarantee payables relating to the strategic collaboration with U.S. Merck | 47,296 |

### 3. Monetary receivables/payables with subsidiaries and associated companies

Short-term monetary receivables

¥22,329 million

Short-term monetary payables

¥86,543 million

**4. Monetary payables to directors and executive officers**

¥826 million

(Note) The monetary payables represent the unpaid provision for retirement allowances for directors and executive officers, which was abolished in June 2010.

**[NOTES TO NON-CONSOLIDATED STATEMENT OF INCOME]****1. Related party transactions with subsidiaries and associated companies**

Operating transactions

Net sales

¥76,465 million

Purchases

¥14,390 million

Other operating transactions

¥101,433 million

Non-operating transactions

¥28,802 million

**2. Main components of selling, general and administrative expenses**

Research and development (R&amp;D) expenses

¥117,395 million

**[NOTES TO NON-CONSOLIDATED STATEMENT OF CHANGES IN EQUITY]****1. Type and number of shares of treasury stock owned at the end of the fiscal year ended****March 31, 2018:**

Common stock

10,295,790 shares

(Note) Of the Company's treasury shares, 67,291 shares are held through a trust.

**[TAX EFFECT ACCOUNTING]****1. A description of the main items included in deferred tax assets and liabilities**

(1) Current

Deferred tax assets

Entrusted R&amp;D expenses

¥9,944 million

Net operating loss carryforward

4,227

Accrued bonuses

2,293

Others

5,127

Total deferred tax assets

21,591

(2) Non-current

Deferred tax assets

Liability for retirement benefits

¥6,121 million

Entrusted R&amp;D expenses

3,648

Deferred charges for tax purposes

3,221

Net operating loss carryforward

3,018

Others

2,312

Subtotal

18,319

Valuation allowance

(762)

Total deferred tax assets

17,557

Deferred tax liabilities

Investments in subsidiaries

¥ (7,967) million

Valuation difference on available-for-sale securities

(7,086)

Reserve for reduction of non-current assets

(62)

Total deferred tax liabilities

(15,114)

Net deferred tax assets

2,443

## 2. Reconciliation between the statutory tax rate and the effective income tax rate

|   |        |
|---|--------|
| Statutory tax rate  | 30.5 % |
| (Reconciliation)  |        |
| Expenses not permanently deductible for income tax purposes, such as entertainment expenses | 0.7    |
| Income not permanently taxable for income tax purposes, such as dividend income             | (0.2)  |
| Tax credit for experiment and research expenses   | (4.7)  |
| Valuation allowances  | 0.4    |
| Others  | (0.9)  |
| Effective income tax rate   | 25.8 % |

## [RELATED-PARTY TRANSACTIONS]

### 1. Subsidiaries and associated companies

| Association | Company name             | Voting rights (or owner ship) (%) | Relationship with related party     | Transaction details  | Transaction amount (Millions of yen) | Account item           | Balance at end (Millions of yen) |
|-------------|--------------------------|-----------------------------------|-------------------------------------|--|--------------------------------------|------------------------|----------------------------------|
| Subsidiary  | Eisai Inc.               | Indirect 100.00                   | Entrusting R&D and selling products | Payment of entrusted R&D expenses Acquisition of sales right* <sup>1</sup> | 58,106<br>26,439                     | Accounts payable-Other | 37,043                           |
|             | Eisai Manufacturing Ltd. | Indirect 100.00                   | Selling products                    | Guarantee obligations* <sup>2</sup>  | 47,296                               | —                      | —                                |
|             | EA Pharma Co., Ltd.      | Direct 60.00                      | Selling products                    | Deposits of cash, payment of interests* <sup>3</sup>                       | 24,003<br>15                         | Deposits received<br>— | 27,296<br>—                      |

(Note) The transaction amounts indicated above exclude consumption taxes.

\*<sup>1</sup> Transaction prices for entrusting pharmaceutical product research and development with Eisai Inc. are actual expenses related to clinical research by marking up the amounts based on the contract between the Company and Eisai Inc. In addition, the acquisition of sales rights is determined by the general transaction conditions.

\*<sup>2</sup> Payables relating to the strategic collaboration with U.S. Merck are guaranteed.

\*<sup>3</sup> The borrowing and lending of cash is processed through CMS (Cash Management System), and the amount is represented by an average balance during the fiscal year. Interests on deposits are decided reasonably, considering the market interest rate.

## [PER SHARE INFORMATION]

|                                |           |
|--------------------------------|-----------|
| Shareholder's equity per share | ¥1,620.71 |
| Basic earnings per share       | ¥116.83   |
| Diluted earnings per share     | ¥116.69   |

(Note) The Company's stock held through a trust is included in treasury stock, which is deducted from the number of shares outstanding in the calculation of this per share information.

## [SIGNIFICANT SUBSEQUENT EVENTS]

Not applicable

## Independent Auditor's Report (Consolidated)

## INDEPENDENT AUDITOR'S REPORT

May 11, 2018

To Mr. Haruo Naito,  
President and CEO, Eisai Co., Ltd. :

Deloitte Touche Tohmatsu LLC

Designated Unlimited Liability Partner,  
Engagement Partner,  
Certified Public Accountant:

Yuji Takei

Designated Unlimited Liability Partner,  
Engagement Partner,  
Certified Public Accountant:

Hirofumi Otani

Designated Unlimited Liability Partner,  
Engagement Partner,  
Certified Public Accountant:

Kentaro Sugimoto

Pursuant to the fourth paragraph of Article 444 of the Companies Act, we have audited the consolidated financial statements, namely, the consolidated statement of financial position as of March 31, 2018 of Eisai Co., Ltd. (the "Company") and its consolidated subsidiaries, and the consolidated statement of income, and changes in equity for the fiscal year from April 1, 2017 to March 31, 2018, and the related notes.

**Management's Responsibility for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements pursuant to the provisions of the second sentence of the first paragraph of Article 120 of the Ordinance on Company Accounting which allows companies to prepare consolidated financial statements with the omission of a part of the disclosures required under International Financial Reporting Standards ("IFRS"), and for such internal control as management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Audit Opinion**

In our opinion, the consolidated financial statements referred to above, prepared with the omission of a part of the disclosures required under IFRS pursuant to the provisions of the second sentence of the first paragraph of Article 120 of the Ordinance on Company Accounting, present fairly, in all material respects, the financial position of the Company and its consolidated subsidiaries as of March 31, 2018, and the results of their operations for the year then ended.

**Interest**

Our firm and the engagement partners do not have any interest in the Company for which disclosure is required under the provisions of the Certified Public Accountants Act.

The above represents a translation, for convenience only, of the original report issued in the Japanese language.

(End)

## INDEPENDENT AUDITOR'S REPORT

May 11, 2018

To Mr. Haruo Naito,  
President and CEO, Eisai Co., Ltd. :

**Deloitte Touche Tohmatsu LLC**

Designated Unlimited Liability Partner,  
Engagement Partner,  
Certified Public Accountant:

**Yuji Takei**

Designated Unlimited Liability Partner,  
Engagement Partner,  
Certified Public Accountant:

**Hirofumi Otani**

Designated Unlimited Liability Partner,  
Engagement Partner,  
Certified Public Accountant:

**Kentaro Sugimoto**

Pursuant to the first item, second paragraph of Article 436 of the Companies Act, we have audited the financial statements, namely, the non-consolidated balance sheet as of March 31, 2018 of Eisai Co., Ltd. (the "Company"), and the related non-consolidated statements of income and changes in equity, and the related notes for the 106th fiscal year from April 1, 2017 to March 31, 2018, and the accompanying supplemental schedules.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements and the accompanying supplemental schedules in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of financial statements and the accompanying supplemental schedules that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements and the accompanying supplemental schedules based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the accompanying supplemental schedules are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the accompanying supplemental schedules. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements and the accompanying supplemental schedules, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements and the accompanying supplemental schedules in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the accompanying supplemental schedules.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Audit Opinion

In our opinion, the financial statements and the accompanying supplemental schedules referred to above present fairly, in all material respects, the financial position of the Company as of March 31, 2018, and the results of its operations for the year then ended in accordance with accounting principles generally accepted in Japan.

### Interest

Our firm and the engagement partners do not have any interest in the Company for which disclosure is required under the provisions of the Certified Public Accountants Act.

The above represents a translation, for convenience only, of the original report issued in the Japanese language and "the accompanying supplemental schedules" referred to in this report are not included in the attached financial documents.

(End)

## Audit Committee Report

### Audit Report

The Audit Committee has audited the execution of duties by Directors and Executive Officers for the 106th fiscal year from April 1, 2017 to March 31, 2018. We report the methods and results of the audit as follows.

#### 1. Methods and Content of Audits

The Audit Committee monitored and verified the contents of resolutions of the Board of Directors regarding matters set forth in Article 416, Paragraph (1), Item (i), Parts (b) and (e) of the Companies Act, and the status of the internal control system established and operated based on such resolution; supervised the Management Audit Department which is the exclusive staff organization for the Audit Committee, in accordance with the auditing policies and the division of duties, etc., designated by the Audit Committee; received internal audit reports from the Internal Audit Division, etc., of the Company; attended important meetings; received reports from Directors and Executive Officers, etc. on matters relating to the execution of their duties, and sought further explanation as necessary; inspected important approval documents, etc.; and investigated the status of operations and assets at the headquarters and principal places of business. In addition, regarding the Company's basic policy and approaches described in the Business Report based on Article 118, Item (iii), Parts (a) and (b) of the Ordinance for Enforcement of the Companies Act, the Audit Committee also considered contents of them taking into consideration the status, etc., of deliberations of the Board of Directors, etc. With respect to the subsidiary companies, the Audit Committee took steps to facilitate communication and the exchange of information with Directors and Company Auditors, etc., of the subsidiary companies, received reports from the subsidiary companies on the status of their operations, and investigated the status of their operations and assets.

In addition, while observing and verifying whether the external auditor was maintaining its independence and was conducting audits in an appropriate manner, the Audit Committee received reports from the external auditor on the execution of its duties and, when necessary, requested further explanation. The Audit Committee also received notification from the external auditor that it was taking steps to prepare the "system for ensuring proper execution of duties" (as enumerated in Article 131 of the Rules of Company Accounting) in compliance with the "Quality Control Standards for Audit" (adopted by the Business Accounting Council on October 28, 2005), etc., requesting further explanation when necessary.

Based on the foregoing methods, the Audit Committee examined the Business Report and the Annexed Detailed Statement, and the Consolidated Financial Statements (consolidated statement of financial position, consolidated statement of income, consolidated statement of changes in equity, and notes to consolidated financial statements), as well as the Financial Statements (balance sheet, profit and loss statement, statement of changes in net assets, and notes to financial statements) and the Annexed Detailed Statement, for the fiscal year under review.

#### 2. Results of the Audit

##### (1) Results of the audit of the Business Report, etc.

In our opinion:

- a) The Business Report and the Annexed Detailed Statement accurately present the state of the Company, in compliance with the provisions of applicable laws, regulations, and the Articles of Incorporation.
- b) Neither improper actions in the execution of duties by Directors and Executive Officers, nor any material facts in violation of the provisions of applicable laws, regulations, or the Articles of Incorporation, were found.
- c) The resolutions adopted by the Board of Directors regarding internal control systems were appropriate. Description of the Business Report and all actions taken by Directors and Executive Officers regarding the execution of duties related to such internal control systems were appropriate.
- d) "Policy for Protection of the Company's Corporate Value and Common Interests of Shareholders" described in the Business Report is appropriate. Further, the approaches based on Article 118, Item (iii), Part (b) of the Ordinance for Enforcement of the Companies Act listed in the Business Report are in accordance with this policy, and does not damage the shared benefit of Company shareholders, and further, is not for the purpose of maintaining the position of Directors and Executive Officers.

##### (2) Results of the audit of the Consolidated Financial Statements

In our opinion, the audit methods used and the results reported by Deloitte Touche Tohmatsu LLC, the external auditor, are appropriate and reasonable.

##### (3) Results of the audit of the Financial Statements and the Annexed Detailed Statement

In our opinion, the audit methods used and the results reported by Deloitte Touche Tohmatsu LLC, the external auditor, are appropriate and reasonable.

May 14, 2018

#### Audit Committee, Eisai Co., Ltd.

Audit Committee Member: **Ikuo Nishikawa**

Audit Committee Member: **Noboru Naoe**

Audit Committee Member: **Hirokazu Kanai**

Audit Committee Member: **Tamaki Kakizaki**

Audit Committee Member: **Daiken Tsunoda**

Note: Audit Committee members Ikuo Nishikawa, Tamaki Kakizaki and Daiken Tsunoda are Outside Directors, as prescribed in Article 2, Item (xv) and Article 400, Paragraph (3) of the Companies Act.

The above represents a translation, for reference purposes only, of the original report issued in the Japanese language.

|   |     |
|---|-----|
| Articles of Incorporation.....                                      | 153 |
| Corporate Governance Guidelines .....                               | 157 |
| Rules Concerning Items Necessary for the Performance of             |     |
| Duties by the Audit Committee.....                                  | 164 |
| Rules for Preparing Necessary Systems for Ensuring the              |     |
| Suitability in the Performance of Duties by Corporate Officers..... | 166 |
| Frequently Asked Questions .....                                    | 169 |
| Index .....   | 177 |
| Major Consumer Healthcare Products .....                            | 180 |
| About the Website .....   | 184 |

## ARTICLES OF INCORPORATION (Revised on June 19, 2015)

### Chapter I General Provisions

#### (Corporate name)

Article 1. The trade name of the Company shall be “Eisai Kabushiki Kaisha”. In English translation, it shall be “Eisai Co., Ltd.”

#### (Corporate Philosophy)

Article 2. (1) The Company’s Corporate Philosophy is to give first thought to patients and their families, and to increase the benefits that health care provides to them. Under this Philosophy, the Company endeavors to become a *human health care (hhc)* company.

(2) The Company’s mission is the enhancement of patient satisfaction. The Company believes that revenues and earnings will be generated by fulfilling this mission. The Company places importance on this sequence of placing the mission before the ensuing results.

(3) The Company strives to fulfill its social responsibilities by positioning compliance (i.e., the observance of legal and ethical standards) as the basis of all business activities.

(4) The Company’s principal stakeholders are patients, customers, shareholders and employees. The Company endeavors to develop and maintain a good relationship with stakeholders and to enhance the value of their stake through:

1. Satisfying unmet medical needs, ensuring a stable supply of high-quality products, and providing useful information on subjects including drug safety and efficacy;
2. Timely disclosure of corporate management information, enhancement of corporate value, and a positive return to shareholders; and
3. Ensuring stable employment, offering challenging and fulfilling duties, and providing full opportunities for the development of employees’ capabilities.

#### (Object)

Article 3. The object of the Company shall be to carry on the following business activities:

1. Research and development, manufacture, sale and import and export of pharmaceuticals.
2. Any other legally authorized businesses.

#### (Location of head office)

Article 4. The Company shall have its head office in Bunkyo-ku, Tokyo.

#### (Method of public notice)

Article 5. Public notices of the Company shall be given as electronic ones. In the event an electronic public notice is unavailable due to a communication failure or any unavoidable circumstances, the public notice shall be published in the *Nihon Keizai Shimbun*.

#### (Company with a nomination committee, etc., system)

Article 6. The Company shall be a company that adopts the “Company with a Nomination Committee, etc., System,” as defined in Article 2, Item 12, of the Companies Act.

## Chapter II Shares

### (Total number of issuable shares)

Article 7. The total number of issuable shares of the Company shall be eleven hundred million (1,100,000,000) shares.

### (Number of shares constituting one round lot)

Article 8. The number of shares constituting one round lot shall be one hundred (100) shares.

### (Rights to odd-lot shares)

Article 9. The shareholders of the Company cannot exercise any rights other than those stipulated below.

1. Rights as set forth in Article 189, Paragraph 2, of the Companies Act; and
2. Rights for receiving allotment of subscribed shares and share options, in proportion to the number of shares held by each shareholder.
3. Rights for making demands as set forth in the following Article

### (Share increase for odd-lot shares)

Article 10. Pursuant to share handling regulations, Shareholders of the Company may demand that the Company sell the number of shares required to make, together with the odd-lot shares held by the shareholder, a single share unit.

### (Custodian of shareholders' register)

Article 11. (1) The Company shall have a custodian of shareholders' register.

(2) The custodian of shareholders' register and its business office shall be determined by the Board of Directors or by (a) Corporate Officer(s) delegated by resolution of the Board of Directors and public notice shall be given of such matters.

(3) The Company shall not handle the office work including the preparation and maintenance of the register of shareholders and the register of share options, and all these administrative services shall be delegated to the custodian of the shareholders' register.

### (Share Handling Regulations)

Article 12. Regarding the handling of shares and new share options (warrants), handling charges and procedure for exercising shareholder rights therefor, the Board of Directors or (a) Corporate Officer(s) delegated by resolution of the Board of Directors shall determine in the Share Handling Regulations unless otherwise provided by law or these Articles of Incorporation.

## Chapter III General Meetings of Shareholders

### (Convocation)

Article 13. (1) The Ordinary General Meeting of Shareholders shall be convened within three (3) months from the end of each fiscal year, and Extraordinary General Meetings of Shareholders shall be convened at whenever necessary.

(2) General Meetings of Shareholders shall be convened by a Director previously appointed by the Board of Directors, unless otherwise provided by law. In case that Director is prevented from so doing, another Director shall act in that Director's place in accordance with an order previously determined by the Board of Directors.

(3) General Meetings of Shareholders shall be held at a place located in Tokyo.

### (Reference date of an Ordinary General Meeting of Shareholders)

Article 14. The reference date for the voting rights at an Ordinary General Meeting of Shareholders shall be March 31 of every year.

### (Internet disclosure of reference documents, etc. and deemed provision thereof)

Article 15. In convening a General Meeting of Shareholders, the Company shall be deemed to have provided the shareholders with the information that must be mentioned or displayed in the reference documents of a General Meeting of Shareholders, business reports, financial statements and consolidated financial documents by disclosing such information via the Internet pursuant to the regulations issued by the Ministry of Justice.

### (Chairman)

Article 16. The Chairman of a General Meetings of Shareholders shall be the Director or the Corporate Officer(s) predetermined by the Board of Directors. In case the Director or the Corporate Officer(s) is prevented from so doing, another Director or an Corporate Officer shall act in his or her place in accordance with an order previously determined by the Board of Directors.



**(Method of adopting resolutions)**

- Article 17. (1) Unless otherwise provided by law or these Articles of Incorporation, resolutions of a General Meeting of Shareholders shall be adopted by a majority of the voting rights of those shareholders with exercisable voting rights(s) present at the meeting.
- (2) The resolutions as per Article 309, Paragraph 2, of the Companies Act shall be adopted by an affirmative vote of two-thirds (2/3) or more of the voting rights held by shareholders present, where such shareholders present shall hold shares representing one-third (1/3) or more of the exercisable voting rights of the shareholders.

**(Exercise of voting rights by proxy)**

- Article 18. (1) A shareholder of the Company may exercise his or her voting rights by appointing one (1) proxy having voting rights who is a shareholder of the Company.
- (2) The shareholder of the Company or his/her proxy shall submit a document evidencing a power of attorney to the Company at each General Meeting of Shareholders.

**(Minutes)**

- Article 19. The minutes shall be prepared and kept with respect to the substance of proceedings of a General Meeting of Shareholders in compliance with law.

**Chapter IV****Directors and Board of Directors****(Number)**

- Article 20. The Company shall have not more than fifteen (15) Directors.

**(Election)**

- Article 21. (1) Directors shall be elected by resolution at a General Meeting of Shareholders.
- (2) The resolution for the election of Directors shall be adopted by an affirmative vote of a majority of the voting rights held by shareholders present, where such shareholders present shall hold shares representing one-third (1/3) or more of the exercisable voting rights of the shareholders.
- (3) Cumulative voting shall not be used for a resolution of electing Directors.

**(Term of office)**

- Article 22. The term of office of Directors shall expire at the close of the Ordinary General Meeting of Shareholders relating to the fiscal year ending within one (1) year after their election.

**(Establishment of the Board of Directors)**

- Article 23. The Company shall have the Board of Directors.

**(Chairman)**

- Article 24. One (1) Director shall be designated as Chair of the Board of Directors by a resolution of the Board of Directors.

**(Convocation)**

- Article 25. (1) Except as otherwise provided by law, a meeting of the Board of Directors shall be convened by the Chair of the Board of Director. In case the Chair is prevented from so doing, another Director shall act in his place in accordance with an order previously determined by the Board of Directors.
- (2) Notice for convening a meeting of the Board of Directors shall be dispatched to each Director three (3) days prior to the date of the meeting. Such period of notice may, however, be shortened in case of urgency.

**(Omission of resolution)**

- Article 26. In case all the Directors with exercisable voting rights have given unanimous consent for any matter to be resolved at the Board of Directors in writing or via an electromagnetic method, a resolution of the Board of Directors to pass the matter to be resolved shall be deemed to have been adopted to that effect.

**(Regulations of the Board of Directors)**

- Article 27. In addition to those provided by law or by these Articles of Incorporation, any matters with respect to the Board of Directors shall be governed by the Regulations of the Board of Directors established by the Board of Directors.

**(Minutes)**

- Article 28. The minutes shall be prepared and kept with respect to the substance of proceedings of the Board of Directors meeting in compliance with law.

**Chapter V      Nomination Committee, etc.****(Establishment of a nomination committee, etc.)**

Article 29. The Company shall have a Nomination Committee, an Audit Committee and a Compensation Committee.

**(Appointment)**

Article 30. The Directors constituting the aforementioned Nomination Committee, etc., shall be elected by resolution of the Board of Directors.

**Chapter VI      Independent Auditors****(Establishment of independent auditors)**

Article 31. The Company shall have Independent Auditors.

**(Election)**

Article 32. The Independent Auditors shall be elected by a resolution at a General Meeting of Shareholders.

**Chapter VII      Corporate Officers****(Establishment of Corporate Officers)**

Article 33. The Company shall have Corporate Officers.

**(Election)**

Article 34. Corporate Officers shall be elected by a resolution of the Board of Directors.

**(Term of office)**

Article 35. The term of office of Corporate Officers shall expire at the close of the first meeting of the Board of Directors convened following the close of the Ordinary General Meeting of Shareholders relating to the fiscal year ending within one (1) year after their election.

**(Representative Corporate Officers)**

Article 36. At least one (1) Corporate Officers shall be elected as Representative Corporate Officer, by a resolution of the Board of Directors.

**(Corporate Officer with Title)**

Article 37. A Corporate Officer can be designated as Corporate Officer with Title, by a resolution of the Board of Directors.

**Chapter VIII      Exemption from Liability****(Exemption from liability)**

Article 38. (1) The Company may, by a resolution of the Board of Directors, exempt the Directors (including former Directors) and Corporate Officers (including former Corporate Officers) from liabilities for damages due to negligence of their duties, as per Article 426, Paragraph 1, of the Companies Act, to the legally authorized extent

(2) The Company may enter into a contract with each Director to limit each Director's (excluding Executive Directors, etc.) liability for damages to a minimum amount that is stipulated by law, as per Article 427, Paragraph 1, of the Companies Act.

**Chapter IX      Accounts****(Business year)**

Article 39. The business year of the Company shall be one (1) year from the 1st day of April of each year and end on the 31st day of March of the following year, and the last day of such business year shall be the date of closing of accounts.

**(Organization to determine distribution of retained earnings, etc.)**

Article 40. The Company shall determine the matters listed in each item of Article 459, Paragraph 1, of the Companies Act, including distribution of retained earnings, by the Board of Directors, without a resolution by a General Meeting of Shareholders, unless otherwise stipulated by law.

**(Reference date for distribution of retained earnings)**

Article 41. (1) The reference date for the Company's distribution of year-end dividends shall be the 31st day of March every year.

(2) The reference date for the Company's distribution of interim dividends shall be the 30th day of September every year.

**(Statute of limitation for dividends)**

Article 42. In the event that the dividend in money has not been received after an elapse of three (3) years from the date of commencement of payments, the Company shall not be liable for such payments.

## Corporate Governance Guidelines

### Chapter 1 General Provisions

#### Article 1 (Purpose)

These Guidelines provide for the good corporate governance of Eisai Co., Ltd. (“the Company”), in order to increase its corporate value and to enhance the long-term interests of its shareholders, and thereby to enable shareholders to possess the Company’s shares over the long term with a peace of mind through the realization of the following “Corporate Philosophy” set forth by the Company in its Articles of Incorporation.

(Corporate Philosophy)

1. The Company’s Corporate Philosophy is to give first thought to patients and their families, and to increase the benefits that health care provides to them. Under this Philosophy, the Company endeavors to become a *human health care (hhc)* company.
2. The Company’s mission is the enhancement of patient satisfaction. The Company believes that revenues and earnings will be generated by fulfilling this mission. The Company places importance on this sequence of placing the mission before the ensuing results.
3. The Company strives to fulfill its social responsibilities by positioning compliance (i.e., the observance of legal and ethical standards) as the basis of all business activities.
4. The Company’s principal stakeholders are patients, customers, shareholders and employees. The Company endeavors to develop and maintain a good relationship with stakeholders and to enhance the value of their stake through:
  - (1) Satisfying unmet medical needs, ensuring a stable supply of high-quality products, and providing useful information on subjects including drug safety and efficacy;
  - (2) Timely disclosure of corporate management information, enhancement of corporate value, and a positive return to shareholders; and
  - (3) Ensuring stable employment, offering challenging and fulfilling duties, and providing full opportunities for the development of employees’ capabilities.

#### Article 2 (Basic Framework of Corporate Governance)

1. The Company is always aiming for good corporate governance, and strives continually to achieve it.
2. The Company respects the rights of all our shareholders, and as the essence of corporate governance is to ensure fair and transparent management and to enhance corporate vitality, the Company aims to achieve good corporate governance on the following basis:
  - (1) Shareholder Relations
 

The Company shall:

    - (i) Respect the rights of all shareholders;
    - (ii) Ensure the equality of all shareholders;
    - (iii) Develop positive and smooth relations with the Company’s stakeholders including all shareholders; and
    - (iv) Ensure transparency by properly disclosing Company information.
  - (2) Corporate Governance System
    - (i) The Company has adopted a Company with a Nomination Committee, etc. System.
    - (ii) The Board of Directors (“the Board”) shall delegate to the Corporate Officers broad powers of decision-making for business execution, to the extent permitted by the laws and regulations, and it shall exercise the function of management oversight.
    - (iii) The majority of the Board shall be independent and neutral Outside Directors.
    - (iv) The Representative Corporate Officer and CEO shall be the only Director who is concurrently a Corporate Officer.
    - (v) To clarify the management oversight function, the positions of the Chair of the Board and the Representative Corporate Officer and CEO shall be separated and performed by different people.
    - (vi) The Nomination Committee and the Compensation Committee shall be entirely composed of Outside Directors, and the majority of the Audit Committee shall consist of Outside Directors.
    - (vii) Each of the Chairs of the Nomination Committee, the Audit Committee and the Compensation Committee shall be appointed from the Outside Directors.

(viii) The internal control system and its operation shall be implemented to ensure the credibility of financial reports is enhanced.

### **Article 3 (Establishment of These Guidelines)**

These Guidelines are subject to the Companies Act and the related laws and regulations, as well as the Articles of Incorporation, and apply in priority to the other rules of the Company.

## **Chapter 2 Shareholder Relations**

### **Article 4 (Respect for Voting Rights)**

1. As the exercise of voting rights in the General Meeting of Shareholders is the right of all shareholders, the Company will endeavor to enable all shareholders to exercise their voting rights appropriately.
2. In order to enable shareholders to exercise their voting rights appropriately, the Company shall include sufficient information in the Notice of Convocation of the General Meeting of Shareholders and reference documents, etc., send them to shareholders at an early stage, and ensure that there is enough time to consider the contents.
3. The Company will arrange the circumstances under which not only the shareholders who attend the General Meeting of Shareholders but all shareholders are able to exercise their voting rights appropriately.

### **Article 5 (General Meeting of Shareholders)**

1. The General Meeting of Shareholders is the supreme decision-making body, which consists of shareholders with voting rights, and must appropriately reflect their views.
2. The Company shall determine the date and venue so that as many shareholders will be able to attend the General Meeting of Shareholders and it will reflect the views of all shareholders.
3. In order to develop a relationship of trust with shareholders, Directors and Corporate Officers shall provide sufficient explanations and a question and answer session at the General Meeting of Shareholders.

### **Article 6 (Returns to Shareholders)**

1. As the shareholders have the right to receive distributions of profits, the Company will decide on and announce its basic guidelines for capital policy, including shareholder returns.
2. Decisions on surplus dividends will be the subject of resolutions at Board Meetings in accordance with the Articles of Incorporation, and such decisions are to be implemented efficiently.

### **Article 7 (Protection of Shareholders' Rights)**

1. In order to protect shareholders' rights, the Company will appropriately disclose to the shareholders relevant information whenever there are changes to the Company's shareholder composition or actions which might lead to such changes in the future, such as the allocation of new shares to particular third parties.
2. The Company shall also give sufficient consideration to the rights of minority shareholders, including rights related to derivative actions, etc.

### **Article 8 (Ensuring Shareholder Equality)**

1. The Company will treat each shareholder equally based on each shareholder's equity stake.
2. The Company will not provide any special benefits, including profits from assets, to any particular shareholder.

### **Article 9 (Prevention of Conflicts with Shareholder Interests)**

1. In order to protect shareholders' interests, the Company will endeavor to prevent any of the Company related persons, such as Directors, Corporate Officers and employees from abusing their position or conducting any transaction in conflict with the interests of the Company and the shareholders.
2. Directors and Corporate Officers shall not conduct any transactions that conflict or compete with the interests of the Company without the approval of the Board subject to the Companies Act.
3. The Company will appropriately disclose the material facts relating to any transactions described in the preceding clause.
4. In order to prevent insider transactions by Company-related persons, the Company will adopt rules relating to the treatment of material facts that have not yet been publicly announced and will strictly apply such rules.

**Article 10 (Favorable and Smooth Relations with Stakeholders)**

1. The Company will endeavor to maintain favorable and smooth relations with various stakeholders by respecting patients, customers, shareholders and employees, with a view to enhancing long-term corporate value.
2. The Directors and Corporate Officers will provide leadership to building the corporate culture to respect the stakeholders' rights based on the Corporate Philosophy of the Company.

**Article 11 (Disclosure and Transparency)**

1. The Company will actively, and in a timely and appropriate manner, disclose to shareholders important information related to management, regardless of whether the content is positive or negative.
2. The Company will determine its policy for disclosing important information related to management, etc. and create structures to implement it.
3. The Company shall disclose information in a way that is easy to understand and through a variety of methods that enable shareholders to access it easily.
4. The Company will develop a relationship of trust and enhance communications with shareholders, e.g., by establishing an inquiries contact point for them.

**Chapter 3****Corporate Governance System****Article 12 (Structure of the Board and Committees)**

1. The Company has chosen to be a Company with a Nomination Committee, etc. System. The function of management oversight shall be carried out by the Board, and the function of business execution shall be carried out by the Corporate Officers. Through this, the Company will clearly separate the functions of management oversight and business execution, increase the vitality of its management and ensure the fairness and transparency of its management.
2. The Board will be composed of diverse Directors with differing backgrounds of specialized knowledge, experience, etc. and an appropriate number of Directors shall be maintained so that the Board can exercise its functions most effectively and efficiently.
3. The majority of the Board shall be composed of independent and neutral Outside Directors.
4. The Representative Corporate Officer and CEO shall be the only Director who is concurrently a Corporate Officer.
5. To thoroughly separate the functions of management oversight and business execution, the positions of the Chair of the Board and the Representative Corporate Officer and CEO shall be separated and performed by different people.
6. The Company will establish the Nomination, Audit and Compensation Committees in accordance with the Companies Act. In addition, the Board will establish, as needed, Committees of the Board other than the Nomination, Audit and Compensation Committees.
7. The Company shall establish an Outside Directors Meeting comprised of Outside Directors only and make the role of Outside Directors function more effectively.
8. The Nomination Committee and the Compensation Committee shall be entirely composed of Outside Directors, and the majority of the Audit Committee shall be composed of Outside Directors.
9. The Chairs of the Nomination Committee, the Audit Committee and the Compensation Committee shall be Outside Directors.
10. Outside Directors who are members of the Audit Committee shall be appointed from those with expertise in finance, accounting, legal affairs, management, etc., and Internal Directors shall be appointed from those with abundant experience within the Company.
11. In order to ensure the independence of audits, members of the Audit Committee shall not concurrently be members of the Nomination Committee or the Compensation Committee.
12. A Board of Directors Secretariat shall be established to act as the secretariat of the Board, the Nomination Committee and the Compensation Committee. A Management Audit Department shall be established to act as the secretariat of the Audit Committee.

**Article 13 (Duties of the Board)**

1. Through developing good corporate governance, the Board shall fulfill its oversight functions, take the best possible decisions by exercising fair judgment and aim to realize the Corporate Philosophy.
2. The Board shall determine the material matters required by law, the Articles of Incorporation and the Rules of the Board, including basic management policies and the appointment of Corporate Officers.
3. In order to accelerate the speed and increase the flexibility of business execution and to enhance the vitality of management, the Board shall delegate the decision-making function on business execution, except for items provided for in the preceding clause, to the Corporate Officers.
4. The Board shall oversee the execution of duties by the Directors and Corporate Officers on the basis of reports from the Nomination Committee, Audit Committee, the Compensation Committee and the Corporate Officers.
5. The Board will strive to realize the Corporate Philosophy, to increase the Company's corporate value and to enhance the long-term interests of the shareholders. It shall have the duty of judging fairly any conduct that may damage these goals and of taking appropriate action.
6. In order for the Representative Corporate Officer and CEO to be appointed by the Board, all of the Directors shall share information related to the succession plan for the future Representative Corporate Officer and CEO.
7. The Board, together with the Nomination, Audit and Compensation Committees, shall not violate or interfere with their respective authorities when executing their duties and shall maintain mutual understanding.
8. The Board and the Corporate Officers shall maintain mutual understanding while fulfilling their respective responsibilities of executing duties.

**Article 14 (Chair of the Board)**

1. The Chair of the Board shall be appointed from the Outside Directors.
2. In addition to determining the annual agenda to be deliberated by the Board, the chair of the Board shall specify the date, location, and agenda and convene the Board Meeting.
3. The chair of the Board shall provide the Directors with the information necessary to consider the items for deliberation prior to the holding of the Board Meeting.
4. The Chair of the Board shall enhance the quality of the discussions among the Directors and manage the Board Meetings effectively and efficiently.

**Article 15 (Directors)**

1. The term of office of Directors shall be one (1) year. Directors shall be elected every year at the General Meeting of Shareholders.
2. Directors shall assume the duty of care and the duty of loyalty.
3. Directors shall request explanations at Board Meetings, actively express their opinions, conduct thorough discussions, and exercise their voting rights, as well as collect sufficient information to execute their duties.
4. Through the timely and appropriate exercise of their right to propose agenda items and to call for Board Meetings to be convened, the Directors shall seek solutions to issues concerning the management of the Company of which they become aware.
5. In responding to the trust placed in them by all shareholders, Directors shall spend sufficient time on the execution of their duties and demonstrate the competence expected of them.

**Article 16 (Outside Directors)**

1. Outside Directors shall be personally and financially independent from the Company.
2. Outside Directors must not only meet the requirements for Outside Directors stipulated in the Companies Act, but must also satisfy the "Requirements for the Independence and Neutrality of Outside Directors" established by the Nomination Committee, and must continue to satisfy those requirements after their appointment as Outside Directors.
3. Outside Directors shall take the initiative to increase the fairness of the decisions and actions of the Board and of each Committee and to achieve good corporate governance.

4. Outside Directors shall be provided, on a timely basis, with continuous and sufficient information related to the status of the Company's Corporate Philosophy, corporate culture, managerial environment, etc., and at the same time, seek additional information as necessary for fulfilling their role.

#### **Article 17 (Nomination Committee)**

1. The Nomination Committee shall determine the content of the proposals to be submitted to the General Meetings of Shareholders related to the nomination and dismissal of Directors.
2. The Nomination Committee shall determine the "Requirements for the Independence and Neutrality of Outside Directors" in order to appoint independent and neutral Outside Directors.
3. The Nomination Committee shall establish the basic policies, rules, procedures, etc., necessary for the execution of its duties.
4. The Nomination Committee shall report on the status of execution of its duties to the Board.

#### **Article 18 (Audit Committee)**

1. The Audit Committee shall audit the execution of the Directors' and Corporate Officers' duties, determine the content of proposals related to the election, dismissal and non-reappointment of Accounting Auditors to be submitted to the General Meetings of Shareholders, and conduct accounting audits and other matters required by laws and regulations.
2. The Audit Committee shall endeavor to achieve efficient and higher quality auditing, e.g., by receiving timely and appropriate reports from the officers and employees of the Company and the ENW Entities and the Accounting Auditor of the Company related to the necessary items to audit the Directors' and Corporate Officers' execution of their duties, as well as by sharing necessary information with the Accounting Auditor and internal audit department.
3. The Audit Committee shall establish the basic policies, rules, procedures, etc. necessary for the execution of its duties.
4. The Management Audit Department executes its duties based on the resolutions of the Audit Committee and the instructions of the members of the Audit Committee, and its independence from the Corporate Officers regarding work instructions and orders, personnel evaluations, etc. shall be secured in order to ensure the objectivity of audits.
5. The Audit Committee shall report on the status of execution of its duties to the Board.

#### **Article 19 (Compensation Committee)**

1. The Compensation Committee shall determine both the policies for deciding the compensation of Directors and Corporate Officers, and their individual compensation.
2. When deciding the compensation of the Directors and Corporate Officers, the Compensation Committee shall make active use of external research data in order to ensure the objectivity of its decisions, and it will determine the appropriateness of the decision-making process after deliberating what is most appropriate.
3. The Compensation Committee shall establish the basic policies, rules, procedures, etc. necessary for the execution of its duties.
4. The Compensation Committee shall report on the status of execution of its duties to the Board.

#### **Article 20 (Outside Directors Meeting)**

1. The Outside Directors Meeting shall be composed of all of the Outside Directors.
2. The Outside Directors Meeting is held to discuss a broad range of matters related to the Company's corporate governance and business, and strive for continued enhancement of corporate governance.
3. The matters discussed at the Outside Directors Meeting shall be reported to the Board or notified to the Corporate Officers as necessary.
4. The Outside Directors Meeting shall evaluate the effectiveness of the supervision function of the management of the Board every year. If there are that issues related to the operation of the Board, etc., the Outside Directors Meeting may make proposals to the Board for addressing such issues.

#### **Article 21 (Compensation of Directors and Corporate Officers)**

1. The compensation of Directors and Corporate Officers shall be appropriately decided with fairness and transparency by the Compensation Committee.



2. The compensation of Directors shall be commensurate to the proper performance of their management oversight function as Directors.
3. The compensation of Corporate Officers is a separate system from the compensation of Directors who perform the duty of supervising the management and should strongly motivate their performance of duties as Corporate Officers and take their performance into consideration.

**Article 22 (Representative Corporate Officer and CEO)**

1. The Representative Corporate Officer and CEO is the Chief Executive Officer and shall hold the powers delegated by the Board in relation to business execution. The Representative Corporate Officer and CEO shall make decisions concerning the best execution of business and shall implement measures with the aim of realizing the Company's Corporate Philosophy, increasing corporate value, and enhancing the long-term interests of the shareholders.
2. The Representative Corporate Officer and CEO shall provide sufficient explanation to the Board regarding business execution, and shall concurrently be a Director for this purpose.
3. The Representative Corporate Officer and CEO shall establish, prepare and operate an internal control system, including a legal compliance system and risk management system, and continually evaluate its effectiveness and strive to improve it.
4. The Representative Corporate Officer and CEO shall in a timely and appropriately provide to the Audit Committee sufficient information for the Audit Committee's audits.

**Article 23 (Corporate Officers)**

1. The term of office of Corporate Officers shall be one (1) year. The Representative Corporate Officer and CEO shall propose candidates for Corporate Officers by providing a sufficient explanation, and Corporate Officers shall be appointed by the Board.
2. Corporate Officers shall assume the duty of care and the duty of loyalty.
3. Corporate Officers shall undertake the important responsibility of managing the business with the aim of realizing the Corporate Philosophy, increasing corporate value and enhancing the long-term interests of shareholders.
4. Corporate Officers shall be delegated from the Representative Corporate Officer and CEO the authority to decide on the specific execution of business in the assigned business/area, and establish, prepare and operate an internal control system within the scope of their assigned division of duties, and take responsibility to execute business with the aim of achieving the targets in addition to developing capable human resources who will manage the Company in the future.
5. Corporate Officers shall, on the basis of the Companies Act, report to the Board at least once every three months on the overall state of the execution of their business based on their assigned division of duties, and at the same time, they shall also provide as required information on those matters requested by the Board or Director(s).
6. An appropriate number of Corporate Officers shall be maintained so that their duties concerning business execution with which they have been entrusted by the Board can be performed most effectively/efficiently.

**Article 24 (Internal Control)**

1. The achievement of thorough internal control of the whole Company group is an important element in obtaining the trust of shareholders. Based on the Companies Act, the Board shall determine the "Rules Concerning Items Necessary for the Execution of Duties by the Audit Committee" and the "Rules for Preparing Necessary Systems for Ensuring the Suitability of the Execution of Duties by Corporate Officers."
2. Based on the resolutions of the Board related to internal control, the Corporate Officers shall maintain a system that is necessary for compliance with laws and ethics, the efficacy and efficiency of business and the reliability of financial reports, and shall make such a system work effectively, and shall report the operative situation to the Board.

**Article 25 (Accounting Auditors)**

1. The Accounting Auditors shall ensure the reliability of financial statements, and they bear an important role in realizing better corporate governance.
2. The independence of the Accounting Auditors from the Company shall be ensured.



3. The Accounting Auditors shall conduct systematic management for the quality control of audits.
4. The Audit Committee shall confirm that the Accounting Auditors' independence is assured, and that the quality control of audits is managed systematically, and make effort to collect relevant information regarding an audit corporation other than the Company's Accounting Auditor.

#### **Article 26 (Exceptional Measures)**

In case it is necessary to make exceptions to these Guidelines, the Board shall clarify the reason for the exception, and make it clear that the purport of these Guidelines was taken into account and that reasonable measures were taken.

#### **Article 27 (Evaluation of Corporate Governance)**

Every year, the Board shall evaluate the state of the Company's corporate governance and enhance the effectiveness of corporate governance in accordance with the self-review of the Board resolutions relating to these Guidelines and an internal control and the evaluation by the Outside Directors Meeting on the effectiveness of the Board of Directors.

#### **Article 28 (Revisions)**

These Guidelines may be revised only by resolution of the Board.

### **Supplementary Provisions**

#### **Article 1 (Enforcement)**

The revision history of these Guidelines is as follows:

- March 23, 2001: Established (Corporate Governance Regulations)
- September 21, 2001: Revision made
- April 25, 2002: Revision made
- June 27, 2002: Revision made
- June 24, 2003: Revision made
- May 11, 2004: Revision made
- October 29, 2004: Revision made (Corporate Governance Guidelines)
- July 29, 2005: Revision made
- April 26, 2007: Revision made
- February 27, 2012: Revision made
- June 20, 2014: Revision made
- June 19, 2015: Revision made
- March 31, 2016: Revision made
- June 21, 2017: Revision made

(End)

## Rules Concerning Items Necessary for the Performance of Duties by the Audit Committee

### Article 1 (Objective)

1. The purpose of these rules is to establish items necessary for the performance of duties by the Audit Committee of the Company, in accordance with Companies Act Article 416 Section 1 Part 1 Subparagraph b), as well as the Ordinance for Enforcement of the Companies Act Article 112 Section 1.
2. In these rules, “ENW” means a group of corporate entities consisting of the Company and its subsidiaries and affiliates, and “ENW Entity” means each entity within ENW.

### Article 2 (Items regarding the Directors and employees of the Company who assist in the duties of the Audit Committee of the Company)

1. The Company shall establish a Management Audit Department to assist in the duties of the Audit Committee of the Company. The Directors of the Company shall not be assigned to assist in the duties of the Audit Committee of the Company.
2. The director and staff of the Management Audit Department shall follow employment and work regulations for items not established by these rules.

### Article 3 (Items regarding the independence of the employees in the preceding article from the Corporate Officers of the Company and items regarding ensuring the effectiveness of the instructions of the Audit Committee of the Company to such employees)

1. The Management Audit Department shall be organized independent of the Corporate Officers of the Company.
2. The director and staff of the Management Audit Department shall perform their duties under the direction of the Audit Committee and Audit Committee Members of the Company.
3. The director and staff of the Management Audit Department shall be appointed, reassigned and disciplined by the Representative Corporate Officer and CEO of the Company with the consent of the Audit Committee of the Company.
4. The decision on personnel evaluation of the director and staff of the Management Audit Department will be conducted by the Audit Committee of the Company.

### Article 4 (The system for Officers and employees of ENW Entities to report to the Audit Committee)

1. The Corporate Officers of the Company shall report monthly to the Audit Committee of the Company regarding the following items related to their assignments and organization under their supervision, control or management, including whether or not such relevant items exist, and shall report immediately highly important matters of the items such as incidents that cause or may cause ENW significant damage, or that violate or may violate laws or the Articles of Incorporation to the Audit Committee.
  - (1) Disasters and accidents related to operations;
  - (2) The fact that operations have been stopped for a half day or longer;
  - (3) The fact that a lawsuit has been brought, and its status;
  - (4) Cases that violate Compliance policies (including facts subject to investigation);
  - (5) Requests for cooperation in an investigation, investigation, summons, visits (excluding regular investigations), warnings, guidance, orders, recommendations, suspension of operation, or other measure taken by public officials;
  - (6) Infringement or the danger of infringement of assets or rights by a third party;
  - (7) Bankruptcy, the danger of bankruptcy, or termination of a contract, by a major customer;
  - (8) Other matters or information that may cause ENW serious damage or have significant effect on the Company;
  - (9) Facts that Officers and employees of ENW Corporations, who made reports or provided information pursuant to Sections through 2 to 6 of this Article, were treated disadvantageously because they made the reports or provided the information; and
  - (10) Other matters to be reported as stipulated by the Audit Committee of the Company.
2. If the Officers and employees of the ENW Entities become aware of any item provided in each item of Section 1 of this Article (except for (4)), they shall immediately report to the Corporate Officer of the Company who supervises, controls or manages such item and contact the Compliance Counter when they become aware of an item in Section 1 (4) of this Article.

3. The Corporate Officer who supervises the promotion of ENW's compliance shall immediately make a report to the Audit Committee of the Company in the case of highly important matters, out of the matters which are reported to the Compliance Counter, such as incidents that cause or may cause ENW significant damage, or that violate or may violate laws or the Articles of Incorporation.
4. The Auditors or the Audit Committee of the ENW Entities in Japan, the People's Republic of China, Korea and Taiwan, except for the Company, shall periodically report information regarding internal audits, compliance and risk management, etc. in such ENW Entity to the Audit Committee of the Company.
5. The Officers and employees of the ENW Entities shall promptly make a proper report when a report on items regarding the execution of business is requested by the Audit Committee of the Company.
6. The Corporate Officers and employees of the Company shall inform the Audit Committee of the Company of the schedules of important meetings.

**Article 5 (Systems for ensuring that the person making a report in the preceding Article does not receive disadvantageous treatment on the grounds of having made such report)**

The Representative Corporate Officer and CEO of the Company shall prepare and operate a system in order to ensure that the Officers and employees of the ENW Entities who make a report to the Audit Committee or Corporate Officer of the Company or contact the Compliance Counter under the preceding Article do not receive disadvantageous treatment on the grounds of having made such report or contact.

**Article 6 (Items regarding policies for the processing of expenses and obligations that arise with respect to the execution of duties of the Audit Committee Members of the Company)**

The Company shall process such expenses or obligations for the execution of duties of the Audit Committee Members of the Company which are recognized as necessary by the Audit Committee of the Company under the Companies Act Article 404 Section 4.

**Article 7 (Other systems for ensuring the effective performance of audits of the Audit Committee of the Company)**

1. The Representative Corporate Officer and CEO of the Company shall prepare a system between ENW companies under which the Audit Committee of the Company enables the investigation, etc., of the accounting and operations of the ENW Entities.
2. Departments and officers in charge of audits, including the internal audits of ENW companies, shall share necessary information regarding audit activities with the Audit Committee, Audit Committee Members, and the Management Audit Department of the Company through regular meetings, etc., in order to operate an efficient and suitable auditing system.
3. The Company's accounting auditor shall report to the Audit Committee regarding audits by the accounting auditor, as well as other investigations, on a regular basis or as requested by the Audit Committee.

**Article 8 (Familiarization with these rules)**

The Representative Corporate Officer and CEO of the Company shall take measures to familiarize the Officers and employees of the ENW Entities with the content of these rules.

**Article 9 (Revisions)**

These rules can be revised through resolution by the Board of Directors.

**Supplementary Provisions**

**(Revision history)**

- Article 1 These rules shall enter into force on June 24, 2004.  
Article 2 These rules shall be revised June 24, 2005.  
Article 3 These rules shall be revised April 27, 2006.  
Article 4 These rules shall be revised June 20, 2014.  
Article 5 These rules shall be revised May 1, 2015.  
Article 6 These rules shall be revised June 21, 2017.

(End)

## Rules for Preparing Necessary Systems for Ensuring the Suitability in the Performance of Duties by Corporate Officers

### Article 1 (Objective)

1. The purpose of these rules is to establish items necessary for establishment and operation of a system for ensuring that execution of duties at ENW by Corporate Officers of the Company is in accordance with laws and the Articles of Incorporation, and to establish other systems necessary to maintain the suitability of operations, in accordance with the Companies Act Article 416 Section 1 Part 1 Subparagraph e), as well as the Ordinance for Enforcement of the Companies Act Article 112 Section 2.
2. In these rules, “ENW” means a group of corporate entities, consisting of the Company and the subsidiaries and affiliates of the Company. “ENW Entity” means each entity within ENW. “Corporate Officer in Charge of ENW Entities” means a Corporate Officer who has been appointed by the Representative Corporate Officer and CEO of the Company to oversee, supervise and manage each ENW Entity other than the Company. “Executive Officer of ENW Entities” shall mean directors of ENW Entities other than the Company and Corporate Officers of ENW Entities.

### Article 2 (Authority)

1. The Board of Directors of the Company receives reports, regarding establishment and operation of the systems set forth in these rules, from the Corporate Officers or the Audit Committee of the Company in order to supervise the performance of duties of the Corporate Officers pursuant to these rules.
2. The Representative Corporate Officer and CEO of the Company shall assign the particular duties set forth in these rules to a Corporate Officer of the Company who will be responsible for such assigned duties.
3. The Corporate Officer of the Company shall perform such duties that have been assigned to him/her in compliance with these rules and provide reports, regarding establishment and operation of the systems set forth in these rules, to the Board of Directors and the Audit Committee of the Company.

### Article 3 (The system for storage and management of information related to the performance of duties of Corporate Officers)

1. The Representative Corporate Officer and CEO of the Company shall appoint a Corporate Officer, from among the Corporate Officers of the Company, to be in charge, on a Company-wide basis, of storage and management of information related to the performance of duties of Corporate Officers of the Company, and shall cause the Corporate Officer establish rules on storage and management of documents, etc.
2. The Corporate Officer of the Company, who has been appointed pursuant to the previous section, shall establish and operate the storage and management rules for prepared documents, etc., and provide such rules to the Board of Directors and the Audit Committee of the Company.

### Article 4 (The rules and other systems regarding management of the risks of loss in ENW)

1. The Corporate Officers of the Company shall be responsible for managing risk of loss in ENW in his or her area of assignment. A Corporate Officer in Charge of ENW Entities shall establish and operate a management system of risk of loss in ENW depending on the type, size, significance and other aspects of businesses of ENW Entities which he/she has been assigned to oversee, supervise and manage.
2. With respect to management of risks of loss that may possibly result in significant loss to ENW, the Representative Corporate Officer and CEO of the Company shall appoint a Corporate Officer, from among the Corporate Officers of the Company, for each area of risk of loss (financial, legal, environmental, disaster, etc.), and such appointed Corporate Officer shall establish and operate rules, etc. regarding the risk.
3. The Corporate Officers, who have been assigned to be in charge of promoting establishment and operation of an internal control system stipulated in Article 6, shall establish and promote the operation of a system for the Corporate Officers and employees of the Company to self-evaluate risks related to their assigned duties.

### Article 5 (The system for ensuring that the duties of Directors, Corporate Officers and employees of ENW are conducted efficiently)

1. The Board of Directors of the Company shall delegate to Corporate Officers of the Company decision-making for the performance of the Directors' duties, excluding those matters to be resolved by the Board of Directors pursuant to the laws, the Articles of Incorporation and the Rules of the Board of Directors.

2. The Board of Directors of the Company shall appropriately establish division of duties and mutual relationships among the Corporate Officers of the Company.
3. The Representative Corporate Officer and CEO of the Company shall establish decision-making procedures for important matters at ENW and coordinate a system under which duties are conducted appropriately and efficiently.
4. With respect to matters other than those set forth in the previous section, the Corporate Officers of the Company shall establish decision-making procedures for their assigned duties and establish a system so that such duties are conducted appropriately and efficiently.
5. The Corporate Officer, who has been assigned to be in charge of promoting establishment and operation of the internal control system set forth in Article 6, shall monitor the establishment and operation of the systems pursuant to the previous two sections. The Corporate Officer, who has been assigned to oversee the execution of internal audit, shall audit the establishment and operation of such systems.

**Article 6 (The system for ensuring that performance of duties by Executive Officers of ENW Entities and employees of ENW Entities is in accordance with laws and the Articles of Incorporation)**

1. The Representative Corporate Officer and CEO of the Company shall appoint a Corporate Officer, from among the Corporate Officers of the Company, to be in charge of promoting compliance, including the system for ensuring that the execution of duties by Executive Officers of ENW Entities and employees of ENW Entities is in accordance with laws and the Articles of Incorporation, and shall establish a department, etc., to support such Corporate Officer in the performance of his or her duties.
2. The Corporate Officer, who has been assigned to be in charge of promoting compliance, shall establish a Compliance Handbook and a business behavior charter applicable to ENW, clarify norms and behavioral standards so that Executive Officers of ENW Entities and employees of ENW Entities take actions in compliance with laws and the Articles of Incorporation, and promote compliance by taking necessary measures such as training of Executive Officers of ENW Entities and employees of ENW Entities.
3. The Corporate Officer, who has been assigned to be in charge of promoting compliance, shall establish and operate a compliance counter as a point of contact for consulting about compliance both inside and outside the Company to strive for the prevention and early resolution of risks related to compliance. With respect to ENW Entities other than the Company, the Corporate Officer, who has been assigned to be in charge of promoting compliance shall cooperate and perform above with each Corporate Officer in Charge of ENW Entities, each Officer in charge of compliance at each ENW Entity and the department in charge of compliance.
4. The Corporate Officer, who has been assigned to be in charge of promoting compliance, shall demonstrate a policy of opposing anti-social forces in the ENW business behavior charter, and shall take necessary measures so that Executive Officers of ENW Entities and employees of ENW Entities strictly observe such policy and use their best efforts on a daily basis in their conduct in this regard.
5. The Representative Corporate Officer and CEO of the Company shall appoint Corporate Officers, from among the Corporate Officers of the Company, to be in charge of promoting establishment of an internal control system and to be in charge of executing internal audits, respectively, and shall establish a department, etc., to support such Corporate Officers in the performance of his or her duties.
6. The Corporate Officers, who have been assigned to be in charge of promoting establishment of an internal control system, shall establish policies regarding internal controls applicable to ENW, and shall have Corporate Officers and employees of the Company develop a deeper understanding for internal controls by taking necessary measures such as training, and shall promote the establishment of an internal control system. With respect to ENW Entities other than the Company, the Corporate Officers, who have been assigned to be in charge of promoting establishment of an internal control system shall cooperate and perform above with each Corporate Officer in Charge of ENW Entities, each Officer in charge of internal control at each ENW Entity and the department in charge of internal control.
7. The Corporate Officers, who have been assigned to be in charge of executing internal audits, shall establish rules for internal audits applicable to ENW, devise a plan for internal audits, and execute appropriate and efficient internal audits. With respect to ENW Entities other than the Company, the Corporate Officers, who have been assigned to be in charge of executing internal audits, shall have each Corporate Officer in Charge of ENW Entities, each Officer in charge of internal audit at each ENW Entity and the department in charge of internal audit to perform the audit of each ENW Entities and receive reports.

8. With respect to professional fields, the Representative Corporate Officer and CEO of the Company shall appoint a Corporate Officer, from among the Corporate Officers of the Company, to be in charge, as necessary, of ensuring compliance with laws and the Articles of Incorporation in such field, and shall establish a department, etc., to support such Corporate Officer in the performance of his or her duties.

**Article 7 (The system for reporting to the Company about matters related to execution of duties of Officers and employees of ENW Entities other than the Company)**

1. The Corporate Officer in Charge of ENW Entities shall establish a system under which the Company receives reports from ENW Entities about managerial important matters and matters set forth in Articles 4, 5 and 6 of these rules depending on the type, size, significance and other aspects of businesses of ENW Entities, with respect for the autonomy and the independency of ENW Entities which the Corporate Officer has been assigned to oversee, supervise and manage.
2. The Corporate Officer in Charge of ENW Entities shall report important matters out of the report received from ENW Entities to the Board of Directors and the Audit Committee of the Company.

**Article 8 (Familiarization with these Rules)**

The Representative Corporate Officer and CEO of the Company shall take measures to familiarize the Officers and employees of ENW Entities with the content of these rules.

**Article 9 (Revisions)**

These rules shall be revised through resolution by the Board of Directors.

**Supplementary Provisions  
(History of Revisions)**

Article 1 These rules shall enter into force April 27, 2006.

Article 2 These rules shall take effect on June 20, 2014.

Article 3 These rules shall take effect on May 1, 2015.

Article 4 These rules shall take effect on June 21, 2017.

(End)



## Frequently Asked Questions

### Q How was Eisai's **performance** in FY2017?

**A** An increase was recorded following growth of Halaven and Lenvima (anticancer agents), Humira (fully human anti-TNF- $\alpha$  monoclonal antibody), and Fycompa (antiepileptic agent). In addition, the Company received upfront payments, etc., through a strategic alliance with Merck & Co., Inc. (U.S.A.).

This resulted in an overall total of ¥600.054 billion (down 11.3% year on year).

We invested aggressively in R&D for development themes in the Alzheimer's disease area and the oncology area, such as the beta-secretase cleaving enzyme inhibitor elenbecestat (generic name), but operating profit was exceeded by an increase in gross profit due to increased revenues. This resulted in operating income of ¥77.212 billion (up 30.7% from the previous fiscal year).

Profit for the year was ¥54.424 billion (up 28.8% from the previous fiscal year) and profit for the year attributable to owners of the parent came to ¥51.845 billion (up 31.7% from the previous fiscal year).

Basic earnings per share for the year attributable to owners of the parent amounted to ¥181.18 (up ¥43.55 from the previous fiscal year).

▶ Please refer to Consolidated Performance on pages 83 to 88.

#### Overview of Consolidated Income

(Billions of yen)

|   | FY2016 | FY2017 | Change from<br>previous year<br>(%) | Value change |
|---|--------|--------|-------------------------------------|--------------|
| Revenue   | 539.1  | 600.1  | 111.3                               | 61.0         |
| Cost of sales   | 195.9  | 201.3  | 102.7                               | 5.3          |
| Selling, general and administrative<br>expenses*            | 174.9  | 183.9  | 105.1                               | 8.9          |
| R&D expenses*   | 117.2  | 139.6  | 119.1                               | 22.4         |
| Operating profit  | 59.1   | 77.2   | 130.7                               | 18.1         |
| Profit before income taxes                                  | 57.7   | 76.8   | 133.2                               | 19.1         |
| Profit for the year   | 42.2   | 54.4   | 128.8                               | 12.2         |
| Profit for the year attributable to<br>owners of the parent | 39.4   | 51.8   | 131.7                               | 12.5         |

\* Beginning this fiscal year, we have clarified the definition of R&D expenses as part of expenses related to medical affairs activities such as the creation of scientific evidence and sharing with medical professionals, in order to indicate the actual state of management more appropriately. In conjunction with this, we have moved the amounts that had been included in selling, general and administrative expenses in the previous fiscal year to R&D expenses.



## Q What was the **impact of foreign exchange rates?**

**A** In the Consolidated Statement of Income, the impact of foreign exchange rates (the depreciating yen) brought revenue up by ¥9.92 billion and operating profit up by ¥1.38 billion. The annual effects of a 1-yen appreciation (exchange rate sensitivity) are as follows.

|                  | US\$            | EUR            | GBP           | RMB             |
|------------------|-----------------|----------------|---------------|-----------------|
| Revenue          | (¥1.38 billion) | (¥270 million) | (¥40 million) | (¥3.36 billion) |
| Operating profit | ¥50 million     | (¥180 million) | ¥90 million   | (¥1.39 billion) |

## Q What is the situation regarding **shareholder returns?**

**A** Aiming to improve shareholder value, the Group's capital policy revolves around "medium- to long-term Return on Equity (ROE) management," "sustainable and stable shareholder returns," and "value-creative investment criteria, on a foundation of ensuring financial soundness." In hopes of providing sustainable and stable dividends to its shareholders, the Company has set the year-end dividend for FY2017 at ¥80 per share. With the interim dividend of ¥70 per share, the Company intends to pay the total dividend of ¥150 per share for the year (same amount as the previous year).

▶ Please refer to Basic Policy for Capital Strategy on page 41.

## Q Is the **medium-term business plan "EWAY 2025"** progressing smoothly?

**A** The medium-term business plan "EWAY 2025," which went into effect in April 2016, aims to achieve strategic intents in accordance with the Company's Corporate Philosophy of contributing to patients. The Company has positioned Neurology (Nervous system) and Oncology (Cancer) as key strategic areas, and will strive to accelerate drug discovery and maximize its value through strategic partnerships and new business models.

▶ Please refer to Business to Be Addressed on pages 36 to 40.

## Q Please tell us about the status of development of **next-generation Alzheimer's disease treatments.**

**A** The Company is focusing efforts on the dementia area, and is actively working on simultaneous development of a disease-modifying agent and a new symptom-improving agent targeting early Alzheimer's disease. In October 2017, Eisai expanded the alliance agreement for development and promotion of Alzheimer's disease treatments with Biogen, and exercised its option rights for co-development/co-promotion of the anti-amyloid  $\beta$  ( $A\beta$ ) antibody aducanumab (generic name) under development by Biogen. In addition, Phase III studies of the beta-secretase cleaving enzyme inhibitor E2609 and a Phase II study of the anti- $A\beta$  protofibril antibody BAN2401 are currently underway. We plan to obtain the results of the 18-month final comprehensive analysis of BAN2401 in the latter half of 2018.

▶ Please refer to Major R&D Pipeline on pages 90 to 95.

## Q Please tell us about the **strategic alliance with Merck & Co., Inc. (U.S.A.)** in the oncology area.

**A** In March 2018, we reached an agreement on a strategic alliance with Merck & Co., Inc. (U.S.A.) in the oncology area for the in-house-developed drug Lenvima, in an aim to create new value for cancer patients through an innovative business model. We will conduct co-development/co-promotion of the anticancer agent Lenvima monotherapy and combination therapy with Merck's anti-PD1 antibody Keytruda (generic name: pembrolizumab), and maximize patient access to Lenvima at an early stage.

▶ See Strategic Alliance with Merck & Co., Inc. (U.S.A.) in the Oncology Area on page 37.

## Q Please tell us about **efforts related to dementia.**

**A** We are striving to create an “Eisai Dementia Total Inclusive Ecosystem” that provides products and services in partnership not only with pharmaceutical companies, but also governments, medical institutions, caregiving facilities, diagnostic drug development companies, IT companies, and insurance companies, etc., in accordance with the opinions of dementia patients and their families. The foundation for this is the “Eisai Dementia Platform” consisting of a network and the experience, expertise, and each type of data related to dementia that the Group has accumulated over more than 30 years.

▶ Please refer to **Efforts toward a New Business Model** on page 38.

## Q Please tell us about efforts related to **ESG.**

**A** We believe that improvement of non-financial value, particularly in the environment, society, and governance (ESG), is critical to the sustainable growth of a company. The Company views the Sustainable Development Goals (SDGs) advocated by the United Nations as being consistent with ESG, and joined the United Nations Global Compact (UNGC) in December 2017. In April 2018, we newly established organizations to be in charge of Company-wide strategy and promotion related to ESG and the SDGs, and are steadily and strategically promoting efforts for ESG, in an aim to further increase our corporate value as an *hmc* company.

▶ Please refer to **ESG-related Activities** on page 40.

## Q Please tell us about the **problem of access to medicines.**

**A** The problem of access to medicines refers to circumstances in which people mainly in developing countries and in emerging countries that continue to see rapid economic growth who need medicine or medical services are unable to receive them due to circumstances such as poverty or lack of a healthcare system. The Group is actively promoting efforts to solve the global problem of access to medicines in public-private partnerships with governments, international organizations, nonprofit private organizations, etc., on the belief that in addition to being our obligation, it is a long-term investment in the future.

▶ Please refer to **Initiatives to Improve Access to Medicines** on page 39.

## Q Is Eisai proactively promoting **active participation by women**?

**A** In hopes of building a workforce of employees with a diverse range of different values, the Company puts a major emphasis on nurturing female leaders. To coincide with the Act of Promotion of Women's Participation and Advancement in the Workplace, the Company also set a concrete goal of doubling the number of women working in management positions and ensuring that women occupy at least 10% of all management positions by FY2020. The Company is now tackling that objective by implementing a wide range of initiatives, including selective training programs for female employees.

▶ Please refer to **Promoting the Active Participation by Women** on page 74.

## Q Please tell us about efforts toward **work-style reforms**.

**A** As part of creating an environment in which employees can work vibrantly and with motivation, the Company is actively implementing work-style reforms to sharpen its competitive edge in the global arena and enhance its corporate value. Beginning in 2012, the Company has adopted a system of mandatory retirement at age 65, enabling each employee to make full use of the experiences and abilities that he or she has cultivated. As for reducing overtime work, we are working to improve long working hours by enhancing management working side-by-side with each employee, promoting an at-home work system, and other means.

▶ Please refer to **Examples of Systems to Support Life Events and Self-fulfillment** on page 75.

## Q How does Eisai implement corporate governance?

**A** The Company has adopted a company with a nomination committee, etc., system, which separates functions between management oversight and business execution, and is striving to strengthen the management oversight function of the Board of Directors. Accordingly, the Chair of the Board of Directors is an outside director. In addition, the Board of Directors delegates a significant amount of decision-making authority concerning the execution of business to corporate officers, and the speed and flexibility of business execution are increased. The 11-member Board of Directors, which includes 7 independent outside directors, focuses on the oversight of management, including business execution processes and decision-making. To ensure accountability for business execution, the Company also stipulates that the Representative Corporate Officer and CEO shall be the only individual from an operational division to serve concurrently as a director.

▶ Please refer to Basic Approach to Corporate Governance on page 42.

## Q Please tell us about the system of checking to prevent improprieties.

**A** The Company has established a special department under the supervision of the corporate officer responsible for compliance and internal control. Through this department, the Company promotes compliance, risk management, and internal audits. (1) The Company works to prevent improprieties through various efforts, including distributing a Compliance Handbook, containing the ENW\* Charter of Business Conduct and the code of conduct, to all employees and cultivating a compliance-focused corporate culture through rigorous, thorough training, (2) creating global risk management and whistle-blowing systems, and (3) implementing internal audit activities based on international standards.

▶ Please refer to Compliance Risk Management on pages 70 to 73.

\* ENW (Eisai Network companies) refers to the corporate group composed of Eisai Co., Ltd., and its subsidiaries and associated companies.

## Q How do **outside directors** function in regard to Eisai's corporate governance?

**A** The presence of 7 independent outside directors, who account for the majority of the Board of Directors, supports the effectiveness of the Company's corporate governance structure. The Company has established and is operating a mechanism to enhance sustained, autonomous corporate governance centered on outside directors, including (1) a system of electing independent outside directors by a Nomination Committee consisting only of outside directors, (2) operating the Board of Directors, etc., through the leadership of a chair who is an outside director, (3) an Outside Directors Meeting for broad discussion of corporate governance, and (4) corporate governance evaluations that drive the Plan-Do-Check-Act (PDCA) cycle of the Board of Directors and each committee.

▶ Please refer to **A Sustained, Autonomous Mechanism for Enhancement of Corporate Governance Centered on Outside Directors** on page 43.

## Q Should not the Company's **outside directors** be people familiar with the pharmaceuticals industry?

**A** The Company has adopted a company with a nomination committee, etc., system, which clearly separates functions between management oversight and business execution. Management oversight is handled by the Board of Directors, and business execution is handled by corporate officers. The Company's Nomination Committee thus emphasizes composing the Board of Directors with individuals who have differing expertise, experience, and backgrounds in fields such as law, corporate accounting, and internal auditing. This diversity is considered more important than familiarity with the pharmaceuticals industry. For meetings on R&D, access to medicines, and the execution of other business, the Company invites outside experts in areas such as cutting-edge technologies and international policy to serve as advisors.

## Q Please tell us about the diversity of the outside directors.

**A** The Company's Corporate Guidance Guidelines stipulate that the Board of Directors must consist of diverse directors with differing backgrounds of specialized knowledge, experience, etc. The Nomination Committee has elected directors to achieve that.

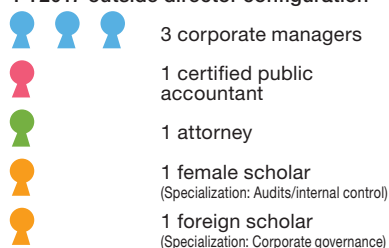
Since 2000, 32 individuals have served as the Company's outside directors, with the diversity of the Board of Directors maintained by having it consist of members such as business managers, scholars, attorneys, accountants, and others, as indicated in the diagram below.

Attributes of the 32 outside directors



Of the 32 outside directors, 3 are women and 6 are foreigners.

FY2017 outside director configuration



## Q Please tell us about the “Policy for Protection of the Company's Corporate Value and Common Interests of Shareholders.”

**A** The presence of latent risks in acquisitions that have the danger of damaging the Company's corporate value and the common interests of shareholders cannot be denied. The Policy establishes procedures and other matters related to purchases of large volumes of the shares of the Company, to make sufficient preparation to handle them. The aim of the Policy is to ensure time for the Independent Committee of Outside Directors, consisting only of outside directors, to sufficiently consider the contents of the purchaser's proposal if a purchaser should appear. The Independent Committee of Outside Directors represents the shareholders in considering whether or not the purchaser's proposal will contribute to the improvement of the Company's corporate value and the common interests of the shareholders.

▶ See pages 118 through 132 for the “Policy for Protection of the Company's Corporate Value and Common Interests of Shareholders.”



# Index

## Access to Medicines

|  |    |
|--|----|
| Initiatives to Improve Access to Medicines ..... | 39 |
|--|----|

## Accounting Auditor

|  |     |
|--|-----|
| Status of Accounting Auditor .....                   | 116 |
| Independent Auditor's Report (Consolidated).....     | 150 |
| Independent Auditor's Report (Non-Consolidated)..... | 151 |

## Alzheimer's disease

|                                  |    |
|----------------------------------|----|
| Neurology .....                  | 36 |
| Neurology (Nervous system) ..... | 90 |
| Major Topics .....               | 96 |

## Articles of Incorporation

|                                |     |
|--------------------------------|-----|
| Articles of Incorporation..... | 153 |
|--------------------------------|-----|

## Assets

|                   |    |
|-------------------|----|
| Assets, etc. .... | 84 |
|-------------------|----|

## Audit

|   |     |
|---|-----|
| Auditing Activities of the Audit Committee in<br>Relation to the Accounting Auditor ..... | 66  |
| Status of Accounting Auditor .....  | 116 |
| Independent Auditor's Report (Consolidated).....  | 150 |
| Independent Auditor's Report (Non-Consolidated).....                                      | 151 |

## B/S

|   |     |
|---|-----|
| Consolidated Statement of Financial Position..... | 133 |
| Non-Consolidated Balance Sheet .....              | 143 |

## Board of Directors

|                                     |    |
|-------------------------------------|----|
| Board of Directors Proceedings..... | 56 |
|-------------------------------------|----|

## Briefings

|  |    |
|--|----|
| Dialogues with Individual Shareholders ..... | 80 |
| Dialogues with Institutional Investors ..... | 80 |

## Business to Be Addressed

|   |    |
|---|----|
| Medium-Term Business Plan "EWAY 2025" ..... | 36 |
|---|----|

## Cash Flow

|                 |    |
|-----------------|----|
| Cash Flow ..... | 85 |
|-----------------|----|

## CF

|                 |    |
|-----------------|----|
| Cash Flow ..... | 85 |
|-----------------|----|

## Changes

|                                    |     |
|------------------------------------|-----|
| Changes in Directors .....         | 113 |
| Changes to Corporate Officers..... | 115 |

## Charter of Business Conduct

|   |    |
|---|----|
| Charter of Business Conduct of Eisai Network<br>Companies ..... | 73 |
|---|----|

## Collaboration

|   |     |
|---|-----|
| Strategic Collaboration in the Oncology Field with U.S.<br>Merck..... | 37  |
| Status of Major Contracts.....  | 100 |
| Other Significant Items .....   | 104 |

## Committee

|   |     |
|---|-----|
| Corporate Governance .....              | 42  |
| Nomination Committee Proceedings.....   | 58  |
| Compensation Committee Proceedings..... | 60  |
| Audit Committee Proceedings.....        | 66  |
| Reporting to the Audit Committee .....  | 71  |
| Status of Accounting Auditor .....      | 116 |

## Compensation

|  |    |
|--|----|
| Compensation Paid to Directors and<br>Corporate Officers ..... | 61 |
|--|----|

## Compliance

|                                  |    |
|----------------------------------|----|
| Compliance Risk Management ..... | 70 |
|----------------------------------|----|

## Consumer Healthcare Products

|  |     |
|--|-----|
| Major Consumer Healthcare Products ..... | 180 |
|--|-----|

## Contract

|                                |     |
|--------------------------------|-----|
| Status of Major Contracts..... | 100 |
|--------------------------------|-----|

## Corporate Governance

|  |     |
|--|-----|
| Corporate Governance .....                             | 42  |
| Implementing the corporate governance evaluation ..... | 45  |
| Corporate Governance Guidelines .....                  | 157 |

## Corporate officers

|  |     |
|--|-----|
| Items Pertaining to Corporate Officers ..... | 114 |
|--|-----|

## Corporate Philosophy

|                            |    |
|----------------------------|----|
| Corporate Philosophy ..... | 34 |
|----------------------------|----|

## Data Integrity

|                                       |    |
|---------------------------------------|----|
| Strengthening of Data Integrity ..... | 73 |
|---------------------------------------|----|

## Dialogue

|   |    |
|---|----|
| Dialogue with outside directors and investors ..... | 45 |
| Dialogues with Individual Shareholders .....        | 80 |
| Dialogues with Institutional Investors .....        | 80 |

## Director

|   |     |
|---|-----|
| Total Amount of Compensation Paid to Directors and<br>Corporate Officers..... | 65  |
| Items Pertaining to Directors .....   | 112 |

## Diversity

|                                   |    |
|-----------------------------------|----|
| Utilization of Human Assets ..... | 74 |
|-----------------------------------|----|

## Dividend

|                |    |
|----------------|----|
| Dividends..... | 41 |
|----------------|----|

## Dividend Payout Ratio

|   |    |
|---|----|
| Consolidated Performance Indicators ..... | 83 |
|---|----|

## DOE

|  |    |
|--|----|
| Stable and Sustainable Shareholder Returns ..... | 41 |
| Consolidated Performance Indicators .....        | 83 |

## Employee

|                                   |    |
|-----------------------------------|----|
| Utilization of Human Assets ..... | 74 |
|-----------------------------------|----|

**Environment**

|   |    |
|---|----|
| Consideration for the Environment ..... | 77 |
| Environmental Report 2017 .....         | 79 |

**Environmental Protection Policy**

|   |    |
|---|----|
| ENW Environmental Protection Policy ..... | 79 |
|---|----|

**ESG**

|                              |    |
|------------------------------|----|
| ESG-related Activities ..... | 40 |
|------------------------------|----|

**EWAY 2025**

|   |    |
|---|----|
| Medium-Term Business Plan “EWAY 2025” ..... | 36 |
|---|----|

**Financial Statements**

|   |     |
|---|-----|
| Consolidated Financial Statements .....     | 133 |
| Non-consolidated Financial Statements ..... | 143 |

**Financing**

|   |    |
|---|----|
| Financing and Main Suppliers of Loans to the Group .... | 85 |
|---|----|

**Fycompa**

|                                  |    |
|----------------------------------|----|
| Neurology (Nervous system) ..... | 90 |
| Major Topics .....               | 96 |

**Gastrointestinal and Other Disorders**

|   |    |
|---|----|
| Gastrointestinal and Other Disorders..... | 94 |
|---|----|

**Generic Products**

|                               |     |
|-------------------------------|-----|
| Other Significant Items ..... | 104 |
|-------------------------------|-----|

**hhc**

|                                |    |
|--------------------------------|----|
| Corporate Philosophy .....     | 34 |
| Eisai <i>hhc</i> Hotline ..... | 82 |

**Hotline**

|                                |    |
|--------------------------------|----|
| Eisai <i>hhc</i> Hotline ..... | 82 |
|--------------------------------|----|

**Human Rights**

|                                   |    |
|-----------------------------------|----|
| Creating Friendly Workplaces..... | 75 |
|-----------------------------------|----|

**Income**

|                         |    |
|-------------------------|----|
| Revenue and Income..... | 83 |
|-------------------------|----|

**Independence and Neutrality**

|   |    |
|---|----|
| Requirements for the Independence and Neutrality of<br>Outside Directors..... | 33 |
|---|----|

**Independent Officer Notifications**

|   |     |
|---|-----|
| Submission of Independent Officer Notifications to<br>Stock Exchanges ..... | 113 |
|---|-----|

**Inquiries**

|   |    |
|---|----|
| Inquiries Concerning the General Meeting of<br>Shareholders and Stock ..... | 80 |
| Eisai <i>hhc</i> Hotline .....  | 82 |

**Integrated Report**

|  |    |
|--|----|
| Information Available on the Website ..... | 81 |
|--|----|

**Investment**

|  |    |
|--|----|
| Value-Creative Investment in Growth..... | 41 |
| Capital Expenditures .....               | 84 |

**Investor**

|   |    |
|---|----|
| Dialogue with outside directors and investors ..... | 45 |
| Dialogues with Institutional Investors .....        | 80 |

**IR**

|  |    |
|--|----|
| Dialogues with Institutional Investors ..... | 80 |
|--|----|

**Labor Union**

|   |    |
|---|----|
| Relationship with the Labor Union ..... | 76 |
|---|----|

**Lenvima**

|   |    |
|---|----|
| Strategic Collaboration in the Oncology Field with U.S.<br>Merck..... | 37 |
| Oncology (Cancer).....  | 92 |
| Major Topics .....  | 96 |

**Liability Limitation Contract**

|  |     |
|--|-----|
| Conclusion of Limitation of Liability Contracts with<br>Director Candidates (Overview of Contract Content) .....             | 32  |
| Overview of Liability Limitation Contracts with<br>Directors (excluding those serving as executive<br>directors, etc.) ..... | 113 |
| Provision Concerning Liability Limitation Contracts<br>with Accounting Auditor.....  | 117 |

**Mail-order**

|                           |     |
|---------------------------|-----|
| Mail-order products ..... | 181 |
|---------------------------|-----|

**Medium-Term Business Plan**

|   |    |
|---|----|
| Medium-Term Business Plan “EWAY 2025” ..... | 36 |
|---|----|

**Neurology**

|   |    |
|---|----|
| EWAY 2025: Main Progress and Initiatives..... | 36 |
| Revenue of Major Products .....               | 88 |
| Neurology (Nervous system).....               | 90 |

**New Drugs**

|                          |    |
|--------------------------|----|
| Major R&D Pipeline ..... | 90 |
|--------------------------|----|

**Notes**

|   |     |
|---|-----|
| Notes to Consolidated Financial Statements .....    | 136 |
| Notes to Non-consolidated Financial Statements..... | 146 |

**Oncology**

|   |    |
|---|----|
| EWAY 2025: Main Progress and Initiatives.....                         | 36 |
| Strategic Collaboration in the Oncology Field with U.S.<br>Merck..... | 37 |
| Revenue of Major Products .....                                       | 88 |
| Oncology (Cancer).....  | 92 |

**Outside Directors**

|   |     |
|---|-----|
| Requirements for the Independence and Neutrality of<br>Outside Directors..... | 33  |
| Activities of Outside Directors.....  | 113 |

**P/L**

|  |     |
|--|-----|
| Financial Position and Profit/Loss Status..... | 89  |
| Consolidated Statement of Income .....         | 134 |
| Non-Consolidated Statement of Income .....     | 144 |

|   |     |
|---|-----|
| <b>Performance</b>  |     |
| Consolidated Performance (International Financial Reporting Standards) .....                      | 83  |
| <b>Performance Indicators</b>   |     |
| Consolidated Management Indicators .....  | 89  |
| <b>Pipeline</b>   |     |
| Major R&D Pipeline .....  | 90  |
| <b>Plant Tour/Museum tour</b>   |     |
| Kawashima Plant Tour .....  | 82  |
| Naito Museum of Pharmaceutical Science and Industry .....   | 82  |
| <b>Policy</b>   |     |
| Policy for Protection of the Company's Corporate Value and Common Interests of Shareholders ..... | 118 |
| <b>Q &amp; A</b>  |     |
| Frequently Asked Questions .....  | 169 |
| <b>R&amp;D</b>  |     |
| Major R&D Pipeline .....  | 90  |
| <b>Report</b>   |     |
| Report on the Third-party Review of the Board of Directors Evaluation (Overview) .....            | 55  |
| Integrated Report 2017 .....  | 81  |
| Independent Auditor's Report (Consolidated) .....   | 150 |
| Independent Auditor's Report (Non-Consolidated) .....   | 151 |
| <b>Research &amp; Development</b>   |     |
| Major R&D Pipeline .....  | 90  |
| <b>Revenue</b>  |     |
| Revenue and Income .....  | 83  |
| <b>Risk</b>   |     |
| Compliance Risk Management .....  | 70  |
| Risk Factors .....  | 98  |
| <b>ROE</b>  |     |
| Medium- to Long-term ROE Management .....   | 41  |
| Consolidated Performance Indicators .....   | 83  |
| <b>SDGs</b>   |     |
| ESG-related Activities .....  | 40  |
| <b>Segment</b>  |     |
| Data by Operating Segment .....   | 86  |
| <b>Shareholder Returns</b>  |     |
| Stable and Sustainable Shareholder Returns .....  | 41  |
| <b>Shareholders</b>   |     |
| Dialogues with Individual Shareholders .....  | 80  |
| Shareholder Composition .....   | 106 |
| <b>Society</b>  |     |
| Ties with People throughout Society .....   | 82  |
| <b>Statement of Changes in Equity</b>   |     |
| Consolidated Statement of Changes in Equity .....   | 135 |
| <b>Stock</b>  |     |
| Status of Shares .....  | 105 |
| <b>Stock Acquisition Rights</b>   |     |
| Status of Stock Acquisition Rights .....  | 109 |
| <b>Stock Options</b>  |     |
| Status of Stock Acquisition Rights .....  | 109 |
| <b>Stock Price</b>  |     |
| Stock Price Trends .....  | 108 |
| <b>Strategic Shareholding</b>   |     |
| Status of the Company's Cross-shareholdings with Other Companies .....                            | 107 |
| <b>Subsidiary</b>   |     |
| Status of Major Subsidiaries .....  | 103 |
| <b>Succession Plan</b>  |     |
| Information Sharing and Discussion Regarding the Succession Plan .....                            | 45  |
| <b>Suppliers of Loans</b>   |     |
| Financing and Main Suppliers of Loans to the Group ....   | 85  |
| <b>Topic</b>  |     |
| Major Topics .....  | 96  |
| <b>Treasury Stock</b>   |     |
| Status of Treasury Stock .....  | 106 |
| <b>UN Global Compact</b>  |     |
| ESG-related Activities .....  | 40  |
| Major Topics .....  | 97  |
| <b>Women</b>  |     |
| Promoting the Active Participation of Women .....   | 74  |
| <b>Work-style Reform</b>  |     |
| Promotion of work-style reform .....  | 76  |

## Major Consumer Healthcare Products

The Group sells consumer healthcare products\* targeting general consumers at pharmacies, drug shops, drugstores, convenience stores, and other retailers. In addition, the Group also conducts a mail-order business.

\* The Company refers to over-the-counter (OTC) products, quasi-drug products, foods for specified health uses, and foods with nutrient function claims collectively as “consumer healthcare products.”

### Chocola BB

Rough skin, acne, stomatitis



**Chocola BB Plus**

Class III drug



**Chocola BB Pure**

Class III drug

Stomatitis, scratchy throat



**Chocola BB Mouth Ulcer Repair Shot**

Class III drug

Blotches, freckles



**Chocola BB Lucent C**

Class III drug

To keep skin moist



**Chocola BB Rich Ceramide**

Food with function claims

Fatigue recovery and prevention



**Chocola BB Light 2**

Designated quasi-drug product



**Chocola BB Royal 2**

Designated quasi-drug product



**Chocola BB Hyper**

Designated quasi-drug product

For nutritional fortification



**Chocola BB Gold Rich**

Designated quasi-drug product

For refreshment



**Chocola BB Sparkling**

Food with nutrient function claims (Niacin)

For iron supplement



**Chocola BB Fe Charge**

Food with nutrient function claims (Iron)

### Travelmin

Prevention and alleviation of dizziness, nausea, and headaches associated with motion sickness



**Travelmin 1**

Class II drug



**Travelmin**

Class II drug



**Travelmin Family**

Class II drug



**Travelmin Churor Grape Flavor**

Class II drug



**Travelmin Churor Lemon Flavor**

Class II drug

### Selbelle

Upset stomach, over-eating, heartburn



**Selbelle Stomach Medicine (tablet)**

Class II drug



**New Selbelle Stomach Medicine (tablet)**

Class II drug

### Saclon

Heartburn, over-drinking



**Saclon**

Class II drug

Nausea, stomach pain



**Saclon Q**

Class II drug

## Sacloph

Eliminates bad breath, hangover



**Sacloph tablets**

Class III drug

## Nabolin

Eye fatigue, stiff shoulders



**Nabolin S**

Class III drug

Stiff shoulders, numbness in the hands and feet



**Nabolin EB tablets**

Class III drug

## Juvelux

Cold hands and feet, stiff shoulders



**Juvelux**

Class III drug



**Juvelux α 2**

Class III drug

## Onji-no-Megumi

Improves forgetfulness in middle age and beyond



**Onji-no-Megumi**

Class III drug

## Sahne

Rough hands and fingers, elbow keratosis



**Chocola Sahne Plus**

Class III drug

Rough skin, dry or chapped skin



**Sahne Cream**

Marketing name: Sahne Cream E

Quasi-drug product



**Sahne Skin Milk**

Marketing name: Sahne Skin Milk E

Quasi-drug product



**Sahne Skin Lotion**

Quasi-drug product

## Veraris

Rough skin



**Veraris**

Marketing name: Medicated Veraris

Quasi-drug product

## Seabond

Sheet-type denture adhesive



**(For upper teeth)**

Controlled medical device



**(For lower teeth)**

Controlled medical device

## Etak

Kills viruses and bacteria (for masks)



**Etak Antibacterial Spray**

Kills viruses and bacteria



**Etak Antibacterial Spray α**

## Mail-order products

### Juvela

Vitamin E and 8 types of polyphenol



**Juvela Zeitaku Polyphenol**

Food with nutrient function claims (Vitamin E)

Vitamin E and 8 types of polyphenol + EPA/DHA compound



**Juvela Zeitaku Polyphenol Kiwami**

Food with nutrient function claims (Vitamin E)

Nutritional supplement for muscle fatigue, nutritional fortification



**Juvela Zeitaku Royal**

Designated quasi-drug product

### Helcare

For high blood pressure



**Helcare**

Food for specified health uses

### Bi Chocola

A combination of the 3 major beauty ingredients (Vitamin C, collagen, coenzyme Q10)



**Bi Chocola**

Food with nutrient function claims (Vitamin C/Vitamin B2/Niacin)

Domestically produced young barley leaves + low-molecular collagen compound



**Collagen Green Juice**

Food with nutrient function claims (Vitamin C)

Mail-order sales direct phone number (Contact)

0120-831-260 (toll free)

Hours: 9:00 A.M. to 9:00 P.M.

\* Excluding the year-end and new year holidays (December 30 through January 3)

Mail-order sales website

<https://shop.eisai.jp> (Japanese)

Eisai Mail-order Sales

Search



Please be aware that the QR code may not be compatible with some devices.

**This Page Intentionally Left Blank**

**This Page Intentionally Left Blank**



# About the Website

The Company's corporate website was renewed in March 2018 to make our Corporate Philosophy and business activities clearer.

The website is compatible with various terminals including personal computers, smartphones and tablets. We look forward to your utilization of the website.



<http://www.eisai.com>

Eisai

Search

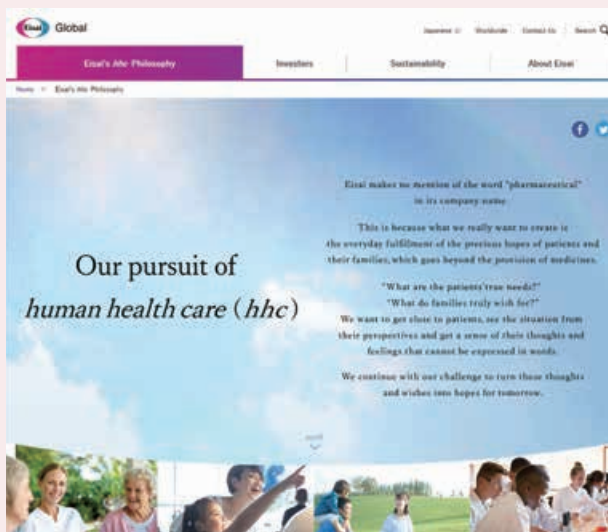


Top Page



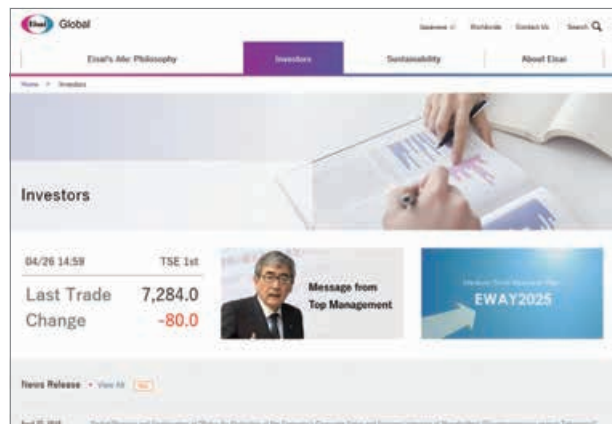
## Eisai's *hhc* Philosophy

We provide here an explanation of our pursuit of *human health care (hhc)*. Please drop by the website for a look.



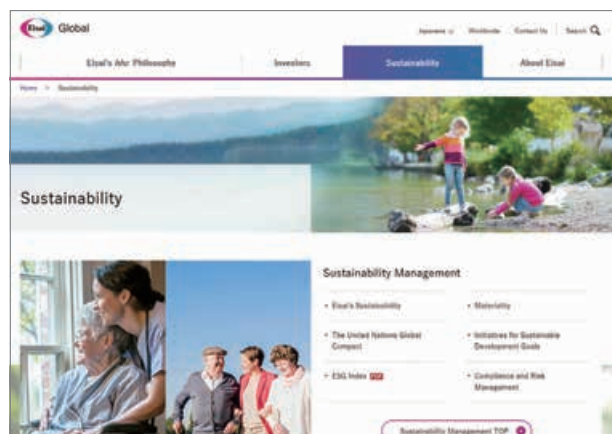
## Investors

- ▶ **Management Policy** Details on the medium-term business plan “EWAY 2025,” financial data and other information can be found here.
- ▶ **IR Library** Consolidated financial reports, shareholder reports, quarterly financial reports, integrated reports, movie files of information meetings and other materials can be found here.
- ▶ **IR Events**
- ▶ **Stock & Bond Information** Information on the Company’s shares general meeting of shareholders and other information can be found here.
- ▶ **E-Mail Alerts (Eisai IR news)**
- ▶ **Eisai’s Key Corporate Activities**
- ▶ **Global Tax Policies**
- ▶ **Eisai Glossary**
- ▶ **FAQs on Eisai Shares (in Japanese only)**
- ▶ **IR Site Map**



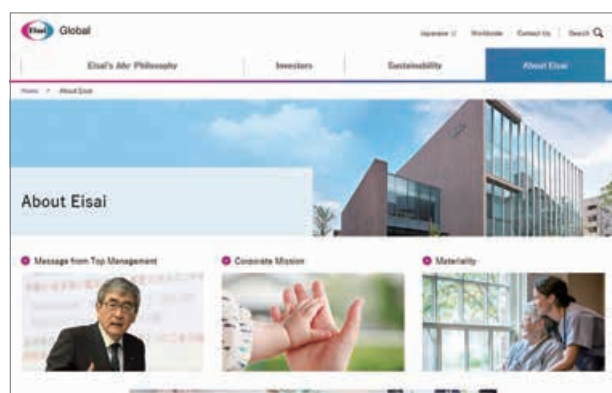
## Sustainability

- ▶ **Sustainability Management** Eisai’s sustainability management policy, ESG initiatives and other information can be found here.
- ▶ **Improving Access to Medicines** Information on Eisai initiatives for providing medicines to countries and regions where access to medicines is difficult can be found here.
- ▶ **Relationship with Customers**
- ▶ **Relationship with Society**
- ▶ **Relationship with Our Employees**
- ▶ **Relationship with Business Partners**
- ▶ **Environmental Activities**
- ▶ **Third-Party Assessment**



## About Eisai

- ▶ **Message from Top Management**
- ▶ **Corporate Mission**
- ▶ **Corporate Information**
- ▶ **Corporate Governance** An outline of Eisai’s corporate governance policy and information on related initiatives can be found here.
- ▶ **Business Activities**
- ▶ **Eisai at a Glance** An explanation on what kind of company Eisai is can be found here.
- ▶ **Related Websites**



**This Page Intentionally Left Blank**