

Overview of the Company's Executive Compensation System

Decision Policy regarding the Content of Individual Compensations of Directors

1. Compensations policy

Compensations to Directors are designed based on the following ideas.

- (1) Compensation system with a compensation level that can secure and maintain excellent human resources
- (2) Compensation system that motivates sustainable growth over the medium to long term and contributes to the increase of the value of the Company and shareholder value
- (3) A transparent, fair and rational compensation system accountable to stakeholders

2. Level of compensations

The level of compensations to Directors is set aiming to provide the high level compensations in the industrial circle, referring to the levels of other companies learned from the surveys of external specialist institutions. Specifically, the Company will mainly compare companies within the top 100 companies by market capitalization among the companies listed on the Tokyo Stock Exchange, and also refer to the levels of major domestic pharmaceutical companies.

3. Composition of compensations

Directors (excluding Outside Directors)

It is designed to encourage management efforts from a short-term to medium-long-term perspective and appropriately to be able to reward the results by the composition of four compensations such as basic, fixed compensation, annual performance based bonuses serving as short-term incentive, and restricted share-based compensation serving and medium-term performance-based share compensation as long-term incentive. Retirement benefit system is not adopted.

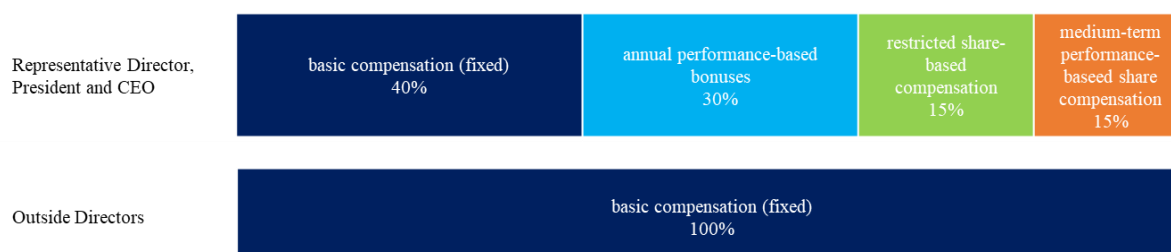
Outside Directors

Compensation to Outside Directors who are in charge of management oversight and are not in the position to take charge of business execution is only basic, fixed compensation. Incentive bonuses and retirement benefit system are not adopted.

4. Ratio of the composition of compensations

Compensations to Representative Director, President and CEO is designed to have its ratio of 40% as basic compensation, 30% as annual performance-based bonuses, 15% as restricted share-based compensation and 15% as medium-term performance-based share compensation when achieving the performance target of 100%. The ratio of the composition of compensations of other Directors (excluding Outside Directors) will be determined in consideration of the responsibilities and the level of compensation according to the ratio of composition of compensation of Representative Director, President and CEO. Compensation to

Outside Directors is only basic, fixed compensation.



5. Basic compensation

Basic compensation to Directors shall be paid on one regular day of each month during their tenure, and the amount of individual compensation is determined according to the compensations policy and the level of compensations.

6. Annual performance-based bonuses (short-term incentive)

The amount of annual performance-based bonuses, which are short-term incentive remuneration, will be decided according to the degree of achievement of the earnings forecasts announced at the beginning of the fiscal year about profit attributable to owners of the Company, revenue, and core operating profit ratio, and the evaluation of goals and tasks which each Director set at the beginning of the fiscal year.

The formula for calculating the amount of payment, and the evaluation ratio and mechanism of annual performance-based bonuses are as follows.

(1) Calculation formula for annual performance-based bonus

Bonus payment amount = Standard amount by position * Achievement of annual targets (profit attributable to owners of the Company + revenue + core operating profit ratio) * performance evaluation

(2) Achievement of annual targets (evaluation ratio and mechanism)

| Index for the achievement of annual targets | Evaluation ratio | Evaluation coefficient fluctuation range | Targets (set with the following as a guide) |
|--|------------------|--|---|
| Profit attributable to owners of the Company | 80% | 0-200% | Upper limit: Target * 120% Target: Expected value announced at the beginning of the fiscal year Lower limit: Target * 80% |
| Revenue | 10% | 0-200% | Upper limit: Target * 105% Target: Expected value announced at the beginning of the fiscal year Lower limit: Target * 95% |
| Core operating profit ratio | 10% | 0-200% | Upper limit: Target * 115% Target: Expected value announced at the beginning of the fiscal year Lower limit: Target * 85% |
| Total | 100% | 0-200% | |

(3) Performance evaluation

It will be converted into a coefficient and calculated according to the degree of achievement of each Director's goals and tasks set at the beginning of the fiscal year.

(i) The performance evaluation of the Chairperson and the President will be determined after deliberation at the Nomination and Compensation Joint Committee.

(ii) For other Directors, the evaluation decided by the President after deliberation at the performance meeting shall be applied.

The evaluation results of Directors will be reported to the Compensation Committee.

| | Index | Coefficient | Evaluation method |
|-------------------------|---|-------------|---|
| Chairperson / President | Company-wide tasks such as R&D progress Successor training, etc. | 50-150% | Decided after deliberation at the Nomination and Compensation Joint Committee |
| Other Directors | Department (individual) goals | 80-120% | Performance evaluation (President) |

7. Restricted share-based compensation (Long-term incentives)

The Company grants, every year in principle, shares with transfer restriction until the time immediately after resignation or retirement of a Director. The objective of the system is to give incentives to sustainably increase the value of the Company and to promote sharing the same value between shareholders and Directors for as long as possible by having the restricted shares. The total number of the ordinary shares of the Company to be issued or disposed of is 240 thousand shares or less per year (if a share split of the Company's ordinary shares (including a gratis allotment of the Company's ordinary shares) or a share consolidation occurs, or if there is any other reason that requires adjustment of the total number, Daiichi Sankyo will adjust the number in a reasonable range as necessary according to the split or consolidation ratio.).

When restricted share-based compensation is paid, monetary compensation receivables will be paid to Directors based on a resolution of Board of Directors of the Company, and Directors will pay all of the paid monetary compensation receivables as in-kind contribution assets of the Company's ordinary shares and will be issued them.

When delivering the Company's ordinary shares, a restricted share allotment agreement will be concluded between the Company and each Director, and Directors shall not freely transfer, set security interests or otherwise dispose of the Company's ordinary shares allotted under the allotment agreement for a certain period of time specified in the allotment agreement.

In the allotment agreement, (1) if a Director of the Company retires or resigns during the transfer restriction period, the Company shall acquire all of the restricted shares without consideration unless otherwise such the retirement or resignation is admitted by Board of Directors that it has justifiable reasons such as expiration of terms of office, death or others, and (2) if a Director retires or resigns due to expiration of term, death or other reasons deemed justified by Board of Directors during the service provision period, the Company shall rationally adjust the number of shares for which the restrictions will be released and the timing of the release as necessary and acquire the restricted shares which the restrictions will not be released free of charge, will be included.

The number of restricted share-based compensation to be delivered shall be the number of shares of the Company's ordinary shares, which is the amount of restricted share-based compensation for each position divided by the closing price of the market price of the Company's ordinary share on the day before the allotment resolution by Board of Directors.

8. Medium-term performance-based share compensation

Medium-term performance-based share compensation, which is a long-term incentive compensation, will be a trust-type share compensation system that has the nature of performance share (performance-based share compensation) for Directors (excluding outside Directors) and the Corporate Officers (hereinafter, "the Target Directors & Officers.") as compensation based on the achievement of the performance of the mid-term business plan in order to promote management with an emphasis on increasing shareholder value over the medium to long term.

The trust period for the fiscal year covered by the mid-term business plan (hereinafter, the "Target Period", and the initial Target Period is 5-Year Business Plan (fiscal 2021-fiscal 2025)) will be set.

The number of Daiichi Sankyo's Shares, etc. to be Delivered, etc. to the Target Directors & Officers. shall be determined at a certain time every year based on Share Delivery Points calculated by multiplying the number of points accumulated over a Target Period, which are awarded according to their position, by the performance-based coefficient. The performance-based coefficient shall be determined within the range between 0% and 200% according to the degree of achievement of targets of Daiichi Sankyo's performance indicators set forth for the final fiscal year of the Target Period (For the initial Target Period, core operating profit ratio before research and development expenses, ROE, research and development progress, ESG indicators, and relative TSR set forth in Daiichi Sankyo's 5-Year Business Plan announced in fiscal 2021 shall be adopted.), and one share in Daiichi Sankyo per point shall be delivered.

During the trust period, if a share split of the Company's ordinary shares (including a gratis allotment of the Company's ordinary shares) or a share consolidation occurs, or if there is any other reason that requires adjustment of the number of points, Daiichi Sankyo will adjust the number of points in a reasonable range as necessary according to the split or consolidation ratio.

The total number of ordinary shares, etc. of the Company to be delivered to the Target Directors & Officers. during the Target Period will be limited to the number obtained by multiplying the maximum number of 0.5 million shares per fiscal year by the number of fiscal years of the Target Period (The initial Target Period is 2.5 million shares for the five fiscal years.). As a general rule, when the Target Directors & Officers. receive the Company's shares, etc., after their retirement, 50% of the shares to be delivered will be converted into money and be provided for the purpose of allocating to tax payment funds such as withholding income tax. Shares and monetary payments will be provided through the executive compensation BIP (Board Incentive Plan) trust of Mitsubishi UFJ Trust and Banking Corporation.

| Index for the achievement of targets | Evaluation ratio | Evaluation coefficient fluctuation range | Targets (set with the following as a guide) |
|--|------------------|--|---|
| Revenue | 20% | 0-200% | Upper limit: Target * 110% Target: Expected value announced about 5-Year Business Plan Lower limit: Target * 90% |
| Core operating profit ratio before research and development expenses | 20% | 0-200% | Upper limit: Target * 120% Target: Expected value announced about 5-Year Business Plan Lower limit: Target * 80% |
| ROE | 20% | 0-200% | Upper limit: Target * 140% Target: Expected value announced about 5-Year Business Plan Lower limit: Target * 60% |
| Research and development progress | 15% | 0-200% | Research and development achievements (number of new indications for 3ADC on the market, pipeline value in the early and late stages) |
| ESG indicators | 10% | 0-200% | Evaluation based on Dow Jones Sustainability Indices, FTSE Russell or Access to Medicine |
| Relative TSR | 15% | 0-200% | Upper limit: Comparison result with TOPIX including dividend * 150% Target: Comparison result with TOPIX including dividend * 100% Lower limit: Comparison result with TOPIX including dividend * 50% |
| Total | 100% | 0-200% | |

9. Clawback provision

Daiichi Sankyo will set forth a clawback clause that can request for the refund of part or all of the compensation received for annual performance-based bonuses and medium-term performance-based share compensation by the resolution of Board of Directors after consultation with the Compensation Committee in the event that a material accounting error or fraud, or record of a significant impairment loss occurs. This clause will be applied from the fiscal 2021 annual performance-based bonus and medium-term performance-based share compensation and will be applied for all periods thereafter.

10. Compensation governance and decision-making process

The Compensation Committee has been established as an advisory body to Board of Directors to ensure the appropriateness of compensation for Directors and the Corporate Officers and the transparency of the decision-making process. The Compensation Committee consists of only Outside Directors, with one Outside Audit & Supervisory Board Member participating as an observer, and the chairperson is elected by mutual election of the members.

The Compensation Committee fully discusses the compensation system, the composition of the compensation, verification and review of compensation levels for each position, target setting and result confirmation of annual performance-based bonuses and medium-term performance-based share compensation, and allocation of restricted share.

The amount of compensation for each individual Director is first deliberated by the Compensation Committee, and then based on the deliberation results, each type of the compensation will be determined by a resolution of Board of Directors within the total amount of compensation resolved at the General Meeting of Shareholders.

Decision Policy regarding the Content of Individual Compensations of Audit & Supervisory Board Members

Compensation to Audit & Supervisory Board Members is only basic and fixed in view of the role of management oversight and no position to take charge of business execution. The level of basic compensation is set aiming to provide the high level compensations in the industrial circle, referring to the levels of other companies learned from the surveys of external specialist institutions. Specifically, a group of companies is selected for comparison from the top 100 listed companies on the Tokyo Stock Exchange with the largest market capitalization. The Company also refers to the levels of other leading domestic pharmaceutical companies. The amount of the compensation for each individual Audit & Supervisory Board Member has been determined through the discussion and with the unanimous consent in Audit & Supervisory Board meetings within the total amount of the compensation approved at the General Meeting of Shareholders.