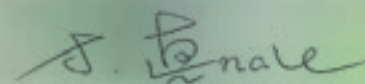


Message from the CEO

We will contribute to the enrichment of quality of life around the world by leveraging our strength.



Sunao Manabe
Representative Director,
President and CEO

Dear stakeholders, I would like to begin by expressing my sincere gratitude for your continued support and understanding regarding our business.

First, I would like to extend my heartfelt sympathy to all those affected by novel coronavirus disease (COVID-19). I would also like to express my genuine gratitude to healthcare professionals and all those who are at the forefront of medical care to prevent further spread of infection, and help to bring the pandemic to an end.

We are taking initiatives to increase our long-term corporate value and to achieve a sustainable society by contributing to the enrichment of quality of life around the world.

I hope that this Value Report will help our stakeholders understand how we are addressing social issues and what benefit we aim to deliver to society.

Daiichi Sankyo's Value Creation Process

Daiichi Sankyo receives requests from society for various needs, including responding to unmet medical needs*, providing a stable supply of quality pharmaceuticals, improving access to pharmaceuticals, and handling environmental, social, and governance (ESG) issues.

In response to the diverse needs of society, we leverage our various management resources, including financial, manufacturing, and human capitals, and take advantage of our strengths in science & technology, global organization & talent, as well as presence in Japan in order to create and deliver innovative pharmaceuticals to patients. At the same time, we address sustainability issues including social and environmental issues and fulfill our responsibilities, obligations, and other requirements to meet the needs of our stakeholders and society in a well-balanced manner.

We aim to achieve sustainable growth together with society by continuing this cycle of our value creation process.

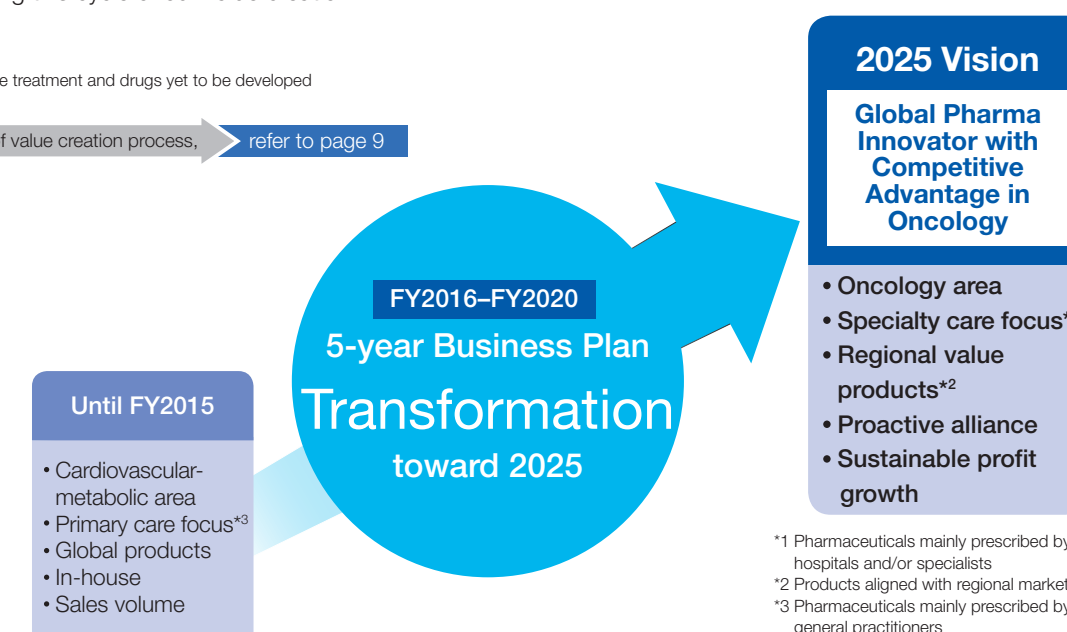
* Medical needs for effective treatment and drugs yet to be developed

For details of value creation process, refer to page 9

Realizing Our 2025 Vision

In March 2016, we determined to make a major transformation in our focus therapeutic area and formulated our 2025 Vision as the ideal future of us 10 years ahead, in light of the increasingly challenging market environment, changes in growing segments of the market, and the future potential of our in-house pipeline and product portfolio.

In order to create innovative pharmaceuticals and to meet unmet medical needs by taking advantage of our strengths, we have defined our 2025 Vision of becoming a "Global Pharma Innovator with Competitive Advantage in Oncology." To achieve this vision, we formulated the current 5-year business plan covering the period between FY2016 and FY2020.



Achievements during the Current 5-year Business Plan Period

The most significant achievement during the current 5-year business plan period was the launch of *ENHERTU* (generic name: *trastuzumab deruxtecan*; project code number: *DS-8201*) in the U.S. and Japan in 2020, and the start of contribution to patients. The product is indicated for the 3rd-line treatment of HER2 positive breast cancer.

For *ENHERTU*, we formed a strategic collaboration with AstraZeneca in March 2019 for co- development / co-promotion. We are working to maximize the product value of *ENHERTU* through an effective partnership with AstraZeneca. As presented at the American Society of Clinical Oncology (ASCO) in 2020, we are making steady progress towards seeking approval of other indications. We are also making good progress in our effort to expand the markets following the initial approvals in the U.S. and Japan, including the acceptance of the application in Europe in June 2020.

ENHERTU is a HER2 directed antibody drug conjugate (ADC) using our proprietary technologies. We have six other ADCs using the same technologies as *ENHERTU* and the most advanced projects *DS-1062* and *U3-1402* are also progressing well.

We also formed a strategic collaboration with AstraZeneca for *DS-1062* in July 2020, which is similar to the collaboration for *ENHERTU* in terms of structure, and are accelerating the development to maximize its product value. In addition, we will continue to strive to optimize resource allocation across the pipeline which potential is growing steadily, including *U3-1402*, to facilitate efforts for sustainable growth.

As described above, the steady progress in the development and commercialization of 3 ADCs enhances our expertise and organizational strength in the oncology area at a rapid rate, and we now believe that we can achieve our 2025 Vision. Meanwhile, our ex-Japan business growth scenarios have become clearer, including the regrowth of our U.S. business and the growth in Europe, Asia, and South & Central America businesses through product portfolio expansion.

Looking back, there was a time when we were unsuccessful in creating innovative new drugs because we lacked capacity to achieve required levels in research, and our development failed to proceed as planned, particularly in late-stage development in the U.S. During that time, our management team continued to trust in our capabilities to create new drugs, and continued R&D investment. I believe that the continuous investment based on trust led to the creation of our ADCs. I recognize once again that continuing the cycle of our value creation process is a key driver of sustainable growth, as I mentioned at the beginning of my message.

Daiichi Sankyo's Purpose

Our mission is "To contribute to the enrichment of quality of life around the world through the creation of innovative pharmaceuticals and through the provision of pharmaceuticals addressing diverse medical needs."

Our purpose in society is "To contribute to the enrichment of quality of life around the world". We reaffirmed that creating innovative pharmaceuticals on an ongoing basis and meeting unmet medical needs would remain our top priority for the purpose. Our purpose is also consistent with Goal 3: "Ensure healthy lives and

promote well-being for all at all ages" of the Sustainable Development Goals (SDGs) established by the United Nations.

Key Issues (Materiality) for Sustainable Growth

In light of the above purpose, we have identified key issues (materiality) to be addressed for sustainable growth considering both expectations from diverse stakeholders and society, and importance based on the impact on our mid-to-long-term corporate value enhancement.

Specifically, "creating innovative pharmaceuticals", "providing a stable supply of top-quality pharmaceutical products", "providing the highest quality medical information" and "improving access to healthcare" are the "materiality on business." We will continue to address these issues by taking advantage of our strengths. We have identified "promoting compliance management", "corporate governance aimed at fulfilling our mission", "promoting environmental management" and "promoting the success and development of a diverse range of human resources who can produce competitive advantages" as "materiality on business foundations" to support business-related materiality. We will work to achieve sustainable growth by addressing these eight materiality.

For details of materiality, refer to page 13

Strengthening Corporate Governance

In recent years, there have been a growing social demand and expectation from society for strengthened corporate governance to prevent corporate fraud and improve corporate value through sound management. In addition, as we continue to expand our pipeline and product portfolio and pursue sustainable growth, management becomes more sophisticated and complex. Therefore, it is essential to strengthen corporate governance to ensure more effective and efficient management.

To strengthen corporate governance, we place emphasis on building a corporate governance structure whereby we can secure legal compliance and management transparency, strengthen the oversight of management and the conduct of operations, and respond to the trust of our shareholders and other stakeholders.

During the current 5-year business plan period, we have increased the percentages of outside directors and female director to get more diverse input into our business. In June 2020, we appointed an external Member of the Board as Chairman of the Board to facilitate the separation of execution and supervision and to increase the independence, objectivity, and transparency of the Board of Directors. We will remain committed to further strengthening corporate governance in order to ensure the sustainable improvement of corporate value.

For details of corporate governance, refer to page 19

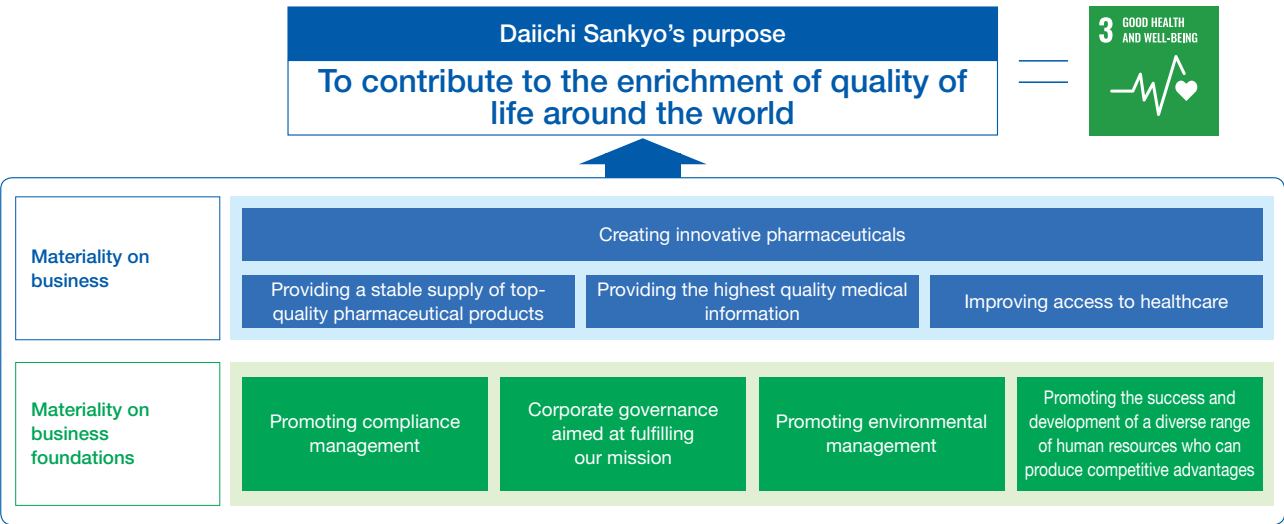
Risk Management

There is a growing demand and expectation from society to establish and operate a risk management system to analyze risks inherent in corporate activities more accurately and address the risks appropriately in order to ensure the sustainable improvement of corporate value. Furthermore, risk management has become of increasing importance to us as we expand our pipeline and product portfolio.

In order to ensure the appropriate management of potential risks associated with corporate activities, we have established a risk management system that aligns with the cycle of formulating and executing business plans. In that context, we have prepared a business continuity plan (BCP) to continue our operations in the event of a disaster or another incidence that may affect our business, and put a crisis management system in place to minimize loss should a risk greater than expected occurs. In addition, we modify and improve our risk management measures, as needed, in the course of the operation of risk management system.

For example, by expanding our oncology business, the business structure and operating regions will become larger and broader, and the complexity of potential risks in corporate activities will increase. We estimate and analyze the impact and likelihood of ever-changing risks accurately, and formulate and execute countermeasures. In this way, we minimize the impact of occurring risks to ensure the sustainable improvement of corporate value.

For details of risk management, refer to page 33



Message from the CEO

Actions against COVID-19

The unexpected COVID-19 pandemic is spreading like wildfire around the world. To fulfill our mission as a pharmaceutical company, we are taking measures in accordance with the BCP prepared for spread of novel influenza. We are continuing a stable supply of pharmaceutical products and clinical development that meet the high unmet medical needs in oncology and other areas, while working to prevent infection among employees and other stakeholders and reduce the burden on healthcare professionals.

With our purpose in mind, and as a pharmaceutical company that has strength in science and technology and vaccine business infrastructure, we leverage collaborations with external organizations and pursue research and development of vaccines and treatments for COVID-19, which are urgently needed in society.

Furthermore, the concern about twindemic, simultaneous spread of COVID-19 and seasonal influenza, is growing and the importance of influenza vaccination is increasing. In this situation, we are also working to increase the production and supply of influenza vaccines.

The recent spread of COVID-19 has demonstrated the significant impact to the economy that can occur without the existence of appropriate countermeasures against infectious diseases. We will continue research and development of vaccines as one of key preventive care measures. For anti-infective agents, it is difficult to undertake development independently considering the management resources required. There is a need for a system and structure to combine the strengths and experiences of multiple pharmaceutical companies, and we will play a role in this respect.

Also, the unexpected pandemic provided an opportunity to reaffirm the significance of ESG and SDGs for the sustainable growth of society. We will have more in-depth discussions on ESG and SDGs initiatives, and we will include more specific descriptions of our future direction in the next 5-year business plan.

For details of actions against COVID-19, [refer to page 43](#)

Creating the Next 5-year Business Plan

We are creating the next 5-year business plan covering the period between FY2021 and FY2025 to ensure the realization of our 2025 Vision. The plan will be disclosed to our stakeholders in March or April of 2021. The next 5-year business plan has 2 pillars: maximizing the value of our 3 lead ADCs, and strengthening the overall pipeline and product portfolio to achieve sustainable growth.

We believe that the potential of *ENHERTU* is even higher than previously expected. We intend to develop it into a mainstay product that will drive the entire 5-year business plan. In addition, we will enhance the strategy to maximize the value of *DS-1062* and *U3-1402*, for which positive clinical data have been obtained. We will work to deliver the 3 ADCs to as many patients as possible as fast as we can to strengthen our base to become the world's number one ADC Company.

In order to achieve sustainable growth, we will enhance our pipeline to grow beyond 2025 and beyond ADCs. The commercialization of our ADC took more than 10 years. In a mid-term perspective, we will aim to create innovative pharmaceutical products using new modalities

and technologies, such as gene therapy, nucleic acid, and cell therapy by taking advantage of our strengths in science and technology.

Toward Sustainable and Long-term Value Creation

From a longer-term perspective, I expect that digital transformation will change the world drastically, and the latest medical care and therapeutic approaches needed by patients will become more accessible and more easily available. In this respect, we should remain committed to being a company that deliver therapeutic solutions with new modalities.

I believe that digital technology, in a broader sense, will be positioned as a new modality for us. In other words, we do not intend to focus on digital health itself, and instead, we consider digital technology as one of modalities to be used in the development of innovative products, or to be used in combination supportively in providing therapeutic solutions.

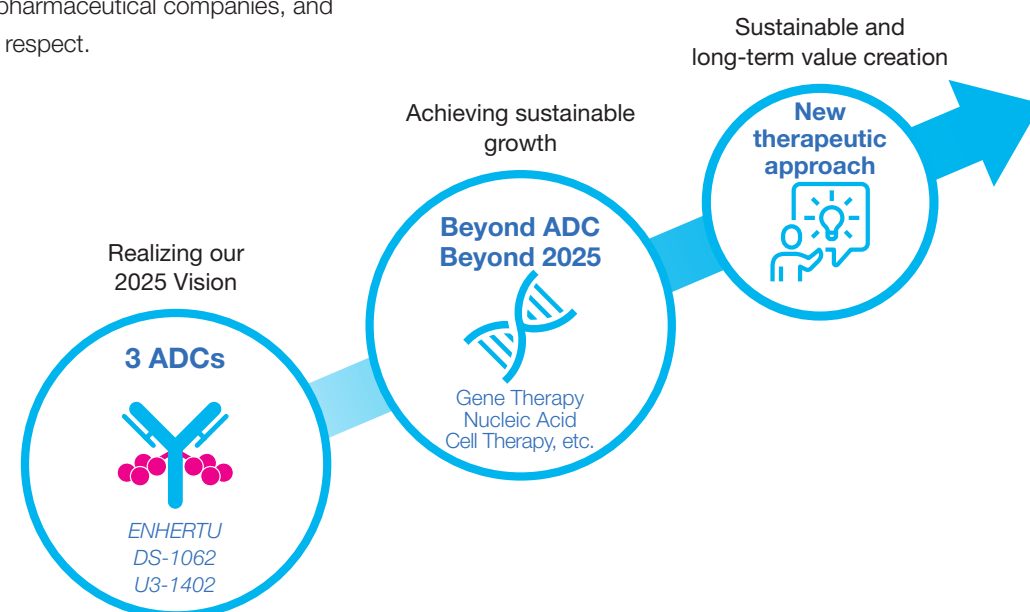
In the internet industry, the GAFA* is dominating markets, and music that used to be available in a form of analog records and CDs is now easily available at low cost through streaming media services, but the need for creators, such as composers and songwriters remains unchanged. Similarly, no matter how far digital transformation advances, science and technology for

creating therapeutic approach will be necessary. By playing the role, we will contribute to the enrichment of quality of life around the world.

*Four leading tech companies (Google, Amazon, Facebook, and Apple)

In Closing

Our greatest strengths are the creation of new medicines for patients through full use of leading-edge science and technology and the human resources that support it. We will contribute to patients, and ultimately, to society as a whole and the future by taking advantage of these strengths. We will remain committed to achieving our mission by leveraging our collective strength. I appreciate your continued support.



Daiichi Sankyo's Value Creation Process

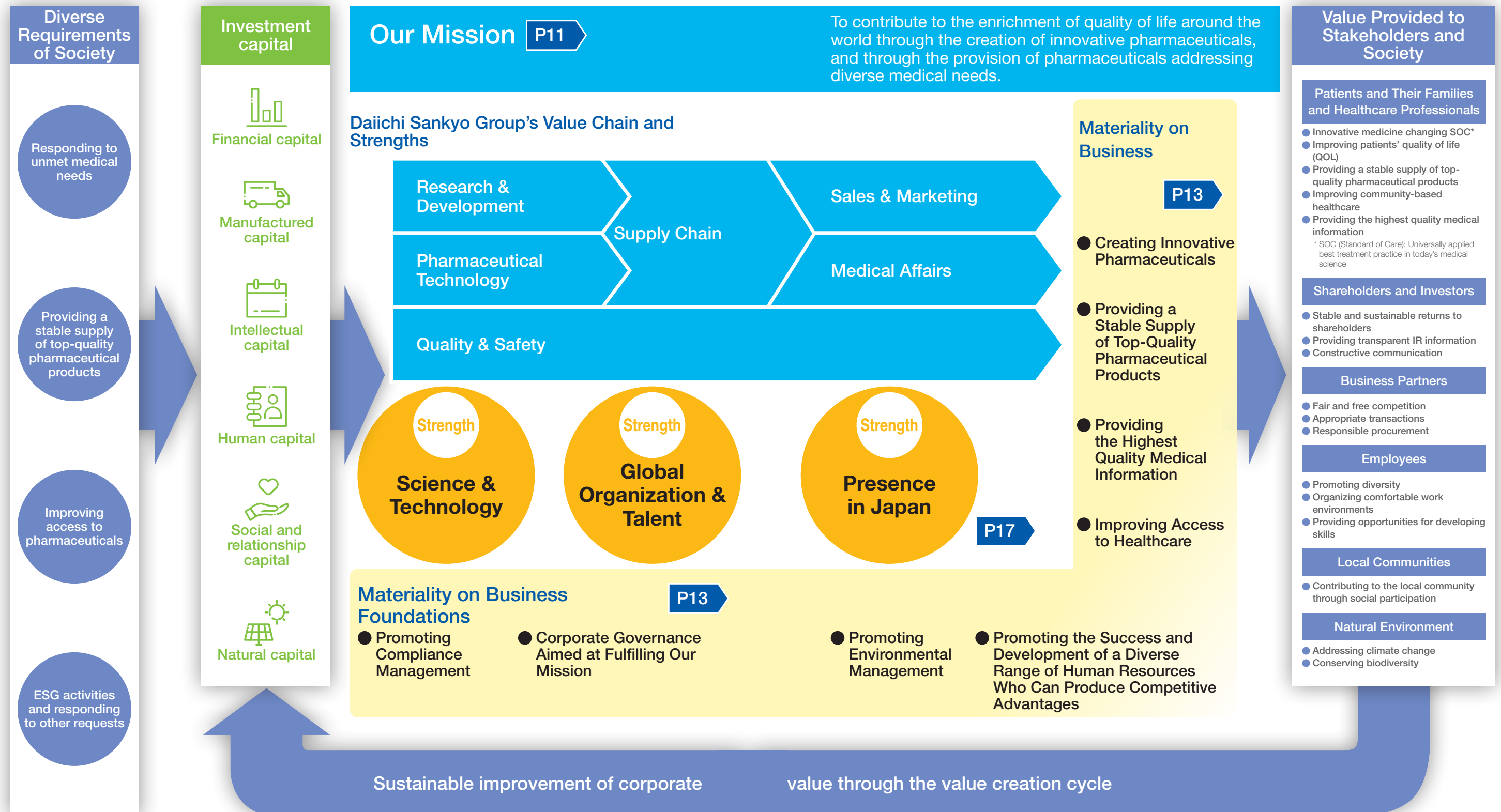
Daiichi Sankyo receives a wide range of requests from society for responding to unmet medical needs,^{*1} providing a stable supply of top-quality pharmaceutical products, improving access to pharmaceuticals,^{*2} and environment, social, and governance (ESG) activities, all of which contribute to the Sustainable Development Goals (SDGs). We work on efforts to enhance our long-term corporate value, as well as initiatives to realize a sustainable society, through leveraging various capitals (i.e., financial, manufactured, intellectual, human, social and relationship, and natural capital).

The basis of our value creation is our sustainability initiative, which includes to contribute to the enrichment of quality of life around the world through the creation of innovative pharmaceuticals, and through the provision of pharmaceuticals addressing diverse medical needs, while taking advantage of

our strengths in Science & Technology, Global Organization & Talent, and Presence in Japan, as well as to address social and environmental issues. For the materiality of these activities (high-priority issues), we have identified materiality issues related to: (i) business including creation of innovative pharmaceuticals; and (ii) our business foundations, such as governance and environmental management.

By continuing this cycle of our value creation process, we will sustainably improve our corporate value, and we will provide the values in a well-balanced manner to our stakeholders and society, including patients, their families, healthcare professionals, our shareholders and investors, business partners, employees, local communities and natural environment.

^{*1} Medical needs for effective treatment and drugs yet to be developed ^{*2} Pharmaceuticals needed by patients being delivered sufficiently and consistently



Our Mission

The **Core Values** and **Commitments** serve as the criteria for business activities and decision-making used by executive officers and employees in working to fulfill **Our Mission**. Our **Corporate Slogan** succinctly explains the spirit of Our Mission, Core Values and Commitments.

Our Mission

To contribute to the enrichment of quality of life around the world through the creation of innovative pharmaceuticals, and through the provision of pharmaceuticals addressing diverse medical needs.

Core Values

Innovation

the introduction of new ideas, methods, or invention

Integrity

the quality of being honest and of always having high moral principles

Accountability

being responsible for the effects of your actions, and being willing to explain or be criticized for them

Commitments

1. To create innovative medicines changing SOC*

* SOC (Standard of Care): Universally applied best treatment practice in today's medical science

2. To take a global perspective, and respect regional values

3. To foster intellectual curiosity and strategic insight

4. To provide the highest quality medical information

5. To provide a stable supply of top-quality pharmaceutical products

6. To be an ethical, trusted, and respectful partner

7. To be accountable for achieving our goals

8. To demonstrate professionalism, respect for others, and teamwork

Corporate Slogan

Passion for Innovation. Compassion for Patients.™

In addition, we have established the **DAIICHI SANKYO Group Corporate Conduct Charter**. This charter calls on us to fulfill our social responsibilities by acting with the highest ethical standards and a good social conscience appropriate for a company engaged in business that affects human lives, and we model our business activities accordingly.

DAIICHI SANKYO Group Corporate Conduct Charter

The DAIICHI SANKYO Group fulfills its mission "To contribute to the enrichment of quality of life around the world through the creation of innovative pharmaceuticals, and through the provision of pharmaceuticals addressing diverse medical needs." We comply with laws, regulations and rules regarding global corporate activities, and act with the highest ethical standards and a good social conscience based on the following 10 principles of this Charter.

In order to actively respond to an ever-changing society, we address social issues and business in an integrated manner. It will enhance our corporate value, fulfill our social responsibilities and contribute to the realization of a sustainable society.

Article 1

Contribution to healthcare
We diligently address medical needs by providing beneficial, safe, and reliable pharmaceuticals and services.

Article 2

Fair business practices
We respect international norms, diverse cultures and customs, conduct business in a fair manner through free and fair competition, and conduct responsible procurement by complying with laws and regulations in each country and region in which we do business. We maintain productive, positive and professional relationships with our stake-holders, which include medical professionals and governments.

Article 3

Fair disclosure of information and constructive dialogue with stakeholders
We actively, effectively and fairly disclose corporate information to the public and engage in an open and constructive dialogue with a wide range of stakeholders.

Article 4

Respect for human rights
We conduct business that respects the human rights of all persons.

Article 5

Enhancement of workplace environment and human resource development
We respect the diversity of our employees, and seek to include a diversity of thought in our daily work. We are committed to ensuring a healthy and safe working environment and do not tolerate harassment and discrimination. We provide employees the opportunity to develop their skills and abilities for the mutual growth of the individual employee and the corporation.

Article 6

Information management
We take necessary measures to manage and protect personal information, business partner information as well as other confidential information of Daiichi Sankyo and others.

Article 7

Engagement in environmental issues
Environmental challenges are universally critical to all of mankind. We responsibly manage the environmental impact of our operations and include our efforts for a better environment in our corporate activities and our very survival.

Article 8

Involvement in community and contribution to its development
We are actively involved in community activities and contribute to its development as a good corporate citizen.

Article 9

Thorough crisis and emergency management
We adhere to crisis and emergency management in the face of actions by antisocial forces, terrorism, cyber-attacks, natural disasters, pandemics and other significant issues that may threaten the order or safety of civil society and the corporate activity.

Article 10

Role of executives and implementation of this Charter
Executives of the DAIICHI SANKYO Group actively build and maintain effective governance systems to implement this Charter, ensure it is understood by all Group companies, and encourage behavior based on the principles of this Charter to the business partners of Daiichi Sankyo Group. If the Charter is violated, executives of DAIICHI SANKYO Group Companies take responsibility to respond by determining the cause of infringement, taking corrective action as necessary and making efforts to prevent similar violations in the future.



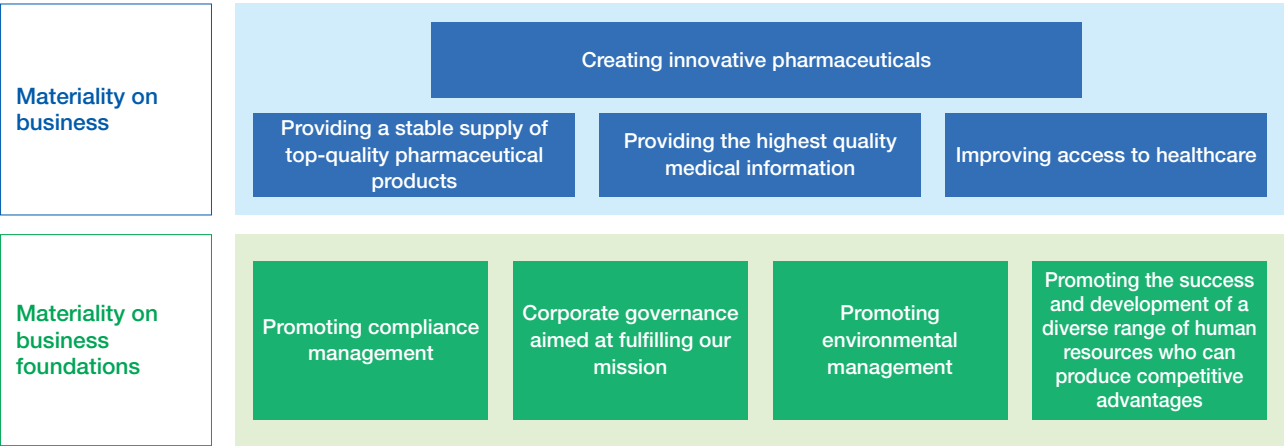
Sustainable Development Goals (SDGs)

In light of the Sustainable Development Goals (SDGs) and other international initiatives, the Group has declared in the DAIICHI SANKYO Group Corporate Conduct Charter that the Group will contribute to the realization of a sustainable society.

Daiichi Sankyo's Materiality

Under the corporate mission “to contribute to the enrichment of quality of life around the world through the creation of innovative pharmaceuticals, and through the provision of pharmaceuticals addressing diverse medical needs”, the Daiichi Sankyo Group will deliver value to society and stakeholders through its business operations, while working on the Group's further growth and advancement. In fiscal 2019, the Group identified the following as high-priority issues in our business operations: materiality on business, such as creation of innovative pharmaceuticals; and materiality on business foundations, including governance and environmental management.

Eight Material Issues

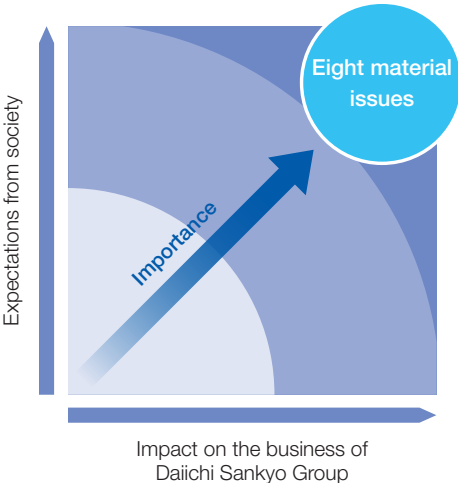
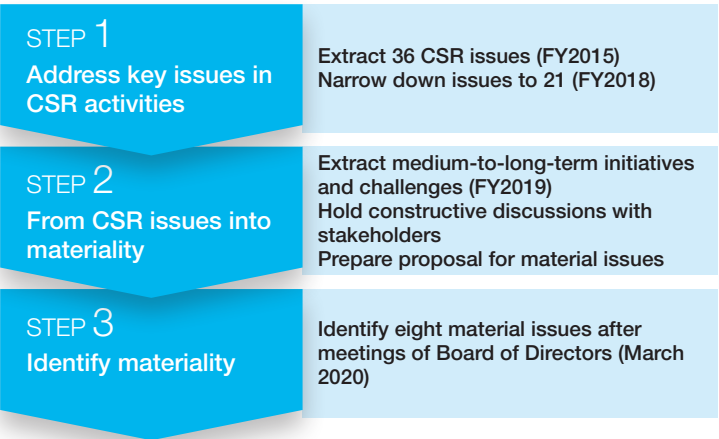


Eight Material Issues for Value Creation

Creating innovative pharmaceuticals, the basis of our value creation, is our top material Issues. Providing a stable supply of top-quality pharmaceutical products, providing the highest quality medical information, and improving access to healthcare are important for delivering pharmaceuticals created through research and development to our patients. To reinforce the foundation of sustainable management, we will promote compliance management, strengthen corporate governance, and promote environmental management, as material issues on business foundations. In addition, we will also continue to promote the success and development of a diverse range of human resources who can produce competitive advantages to the Group's business operations.

Materiality Identification Process

In identifying and sorting material issues, 36 issues were selected from the CSR perspective in fiscal 2015, and these were narrowed down to 21 in fiscal 2018. In fiscal 2019, business and governance perspectives were added to the CSR perspective, and medium-to-long-term initiatives and challenges were extracted in light of their importance based on their impact on the Group's medium-to-long-term corporate value, and expectations from society, including our various stakeholders. Then we prepared a proposal for materiality through discussions with stakeholders. The eight material issues were subsequently identified after two meetings of the Board of Directors.



Background and Basic Approach to Materiality Identification

Materiality on Business

Creating innovative pharmaceuticals

The purpose of the Daiichi Sankyo Group is to contribute to the enrichment of quality of life around the world. The Group will remain fully committed to creating innovative pharmaceuticals by leveraging cutting-edge science and technology and through global and concerted efforts by diverse members in order to meet unmet medical needs and drive the Group's sustainable growth.

For details, refer to page 70

Providing the highest quality medical information

In order to maximize the benefits and minimize the risks of pharmaceuticals, it is necessary to use them properly. In addition to its efforts so far to promote the proper use of pharmaceuticals, the Daiichi Sankyo Group works to provide the highest quality, accurate medical information for its medicines, including those in the field of oncology which especially requires a higher level of clinical expertise and more prompt decision-making.

For details, refer to page 62

Materiality on Business Foundations

Providing a stable supply of top-quality pharmaceutical products

Pharmaceutical companies have a responsibility to provide high-quality pharmaceuticals in an appropriate and stable manner. With an increasing number of products requiring sophisticated manufacturing technologies and appropriate quality control, the Daiichi Sankyo Group has established a robust global production and supply structure to deliver high-quality pharmaceuticals to patients around the world in a stable manner.

For details, refer to page 81

Improving access to healthcare

In addition to taking actions to address unmet medical needs, one of the important missions of pharmaceutical companies is addressing the problem of insufficient access to healthcare caused by various social factors, such as public health, education, and income inequality. To address these issues, the Daiichi Sankyo Group is making effective use of internal and external resources to contribute to improving access to healthcare.

For details, refer to page 49

Materiality on Business Foundations

Promoting compliance management

Robust compliance is essential for the sustainable growth of a company. The Daiichi Sankyo Group is committed to conducting all of its business operations based on the understanding that compliance is more than just adhering to laws, regulations and rules; it involves acting with the highest level of ethics and social consciousness appropriate for a life science-oriented company.

For details, refer to page 51

Promoting environmental management

Various problems have emerged with the progression of global warming, including an increase in natural disasters around the world. The Daiichi Sankyo Group recognizes environmental issues as risk factors that may impact its long-term business activities, and therefore promotes environmental management. The Group aims to achieve sustainable growth of society and businesses through the promotion of environmental management.

For details, refer to page 53

Materiality on Business Foundations

Corporate governance aimed at fulfilling our mission

Establishing a management structure capable of responding speedily and flexibly to changes in the environment is essential for sustainable growth of a company. The Daiichi Sankyo Group will continue to strengthen its oversight functions over management and execution to promote effective corporate governance.

For details, refer to page 19

Promoting the success and development of a diverse range of human resources who can produce competitive advantages

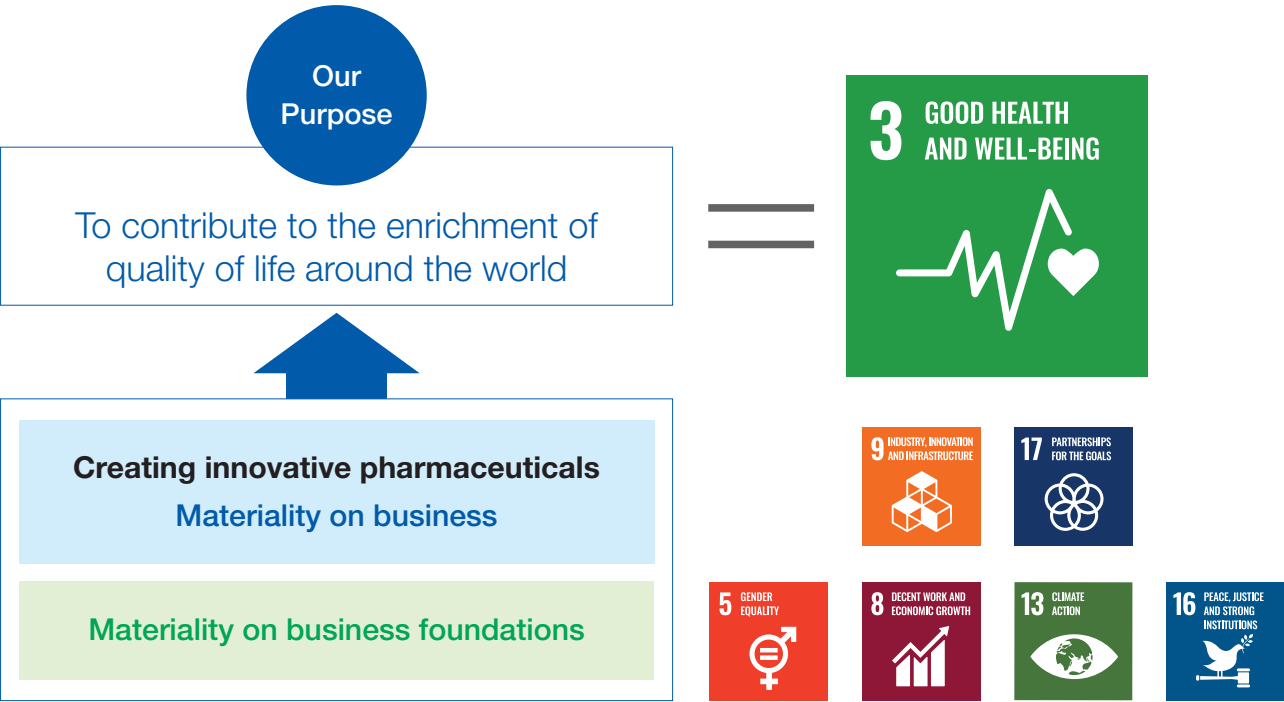
“People” are the most important “asset” of the Daiichi Sankyo Group. We considers it essential to respect the diversity of each and every employee based on our “Human Resources Management Philosophy” to achieve our sustainable growth. We aim to achieve mutual growth between employees and the Group by promoting the success of and development of a diverse range of human resources in order to produce competitive advantages.

For details, refer to page 57

Contribution to SDGs through Materiality Initiatives

The Group aims to fulfill its corporate mission through creating innovative pharmaceuticals and other materiality initiatives. The purpose of the Group is “to contribute to the enrichment of quality of life around the world”, as defined in Our Mission. This is also consistent with Goal 3: “Good health and well-being” of the Sustainable Development Goals (SDGs) established by the United Nations.

Initiatives for material issues on business contribute to fostering innovations (Goal 9) and revitalizing the global partnership (Goal 17). Initiatives for material issues on business foundations contribute to gender equality (Goal 5), decent work (Goal 8), climate action (Goal 13), peace and justice through compliance (Goal 16), among others.

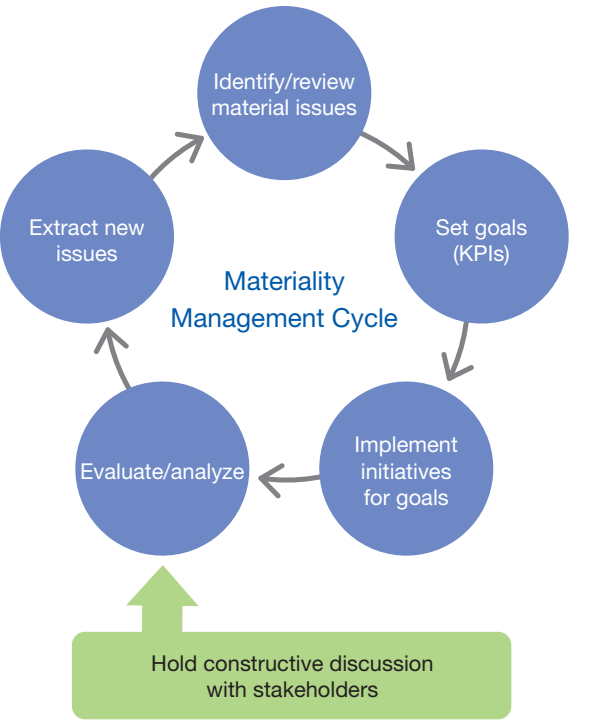


Materiality Management Cycle

We will set goals for each material issue identified and advance specific initiatives. For effective evaluation and analysis, KPIs* will be set, and the progress and achievement of initiatives will be evaluated. In evaluating and analyzing the initiatives, we will consider perspectives from both inside and outside the Group through constructive discussions with various stakeholders, while assessing risks and business opportunities to extract new issues.

We will evaluate the progress and achievement of initiatives each year and check whether we should conduct materiality assessment.

* Key Performance Indicators



Materiality and Examples of Initiatives

Materiality	Examples of Initiatives	SDGs
Creating innovative pharmaceuticals	<ul style="list-style-type: none">● Accelerate development and obtain early approval by utilizing expedited regulatory pathways for innovative new drugs● Advance disease research and create innovative medicines through multi-modality strategy based on cutting-edge science & technology● Enhance translational research utilizing Omics● Activate collaborative relationships with academia, biotech and other industries (open innovation)● Develop R&D human resources capable of working together across boundaries	3, 9, 17
Providing a stable supply of top-quality pharmaceutical products	<ul style="list-style-type: none">● Development of commercial manufacturing processes to continuously produce high-quality pharmaceuticals through research on drug substances, drug products, and quality evaluation● Establish a flexible and efficient global manufacturing and supply system (supply chain management) adapted to address changes in the product mix● Establish a manufacturing and supply system for cutting-edge pharmaceutical products, including DS-8201 and other ADCs, Axi-Cel™, and oncolytic virus● Guarantee the quality of our products in adherence with GMP, whereby we use a scientifically backed method of managing all processes, from receiving raw materials to manufacturing and shipping products● Put systems in place to restore operations quickly in the event of an emergency and to ensure a steady supply of pharmaceutical products (including stable procurement of raw materials) with assured quality to help support the continued provision of medical services	3, 9, 17
Providing the highest quality medical information	<ul style="list-style-type: none">● Promote science-driven global development that maximizes the benefits and minimizes risks of drugs● Consolidate the management of patient safety information on a global basis and share the results of assessment and analysis with physicians and other healthcare professionals in clinical settings in order to promote the proper use of our products● Create new information in the real world through clinical research and other efforts to further benefit patients after product launch● Undertake activities in providing medical information that meets the needs of healthcare professionals including those who engage in team medical care● Enhance the expertise of call center staff and use artificial intelligence (AI) to respond quickly and appropriately to diverse inquiries from healthcare professionals	3, 9, 17
Improving access to healthcare	<ul style="list-style-type: none">● Focus on continued initiatives targeting rare diseases● Promote research and development in the field of infectious diseases and measures against Antimicrobial Resistance (AMR)● Participate in Access Accelerated, an initiative intended to improve non-communicable diseases (NCDs) in low and lower-middle income countries● Participate in the Global Health Innovative Technology (GHIT) Fund, a public-private partnership, which aims to encourage drug discovery for combating infectious diseases in developing countries● Provide mobile clinic services in Myanmar	3, 9, 17
Promoting compliance management	<ul style="list-style-type: none">● Implement the Daiichi Sankyo Group Employee Code of Conduct● Enhance global policies related to preventing bribery and corruption● Promote Ethical marketing practices● Consider R&D ethics, bioethics, and genetic resources● Promote compliance and ethics in procurement● Work on promoting respect for and adherence to human rights	10, 15, 16
Corporate governance aimed at fulfilling our mission	<ul style="list-style-type: none">● Appoint a Member of the Board (Outside) as Chairman of the Board● Provide the Members of the Board (Outside) with prior explanation to promote their understanding and enhance discussions at the Board of Directors Meeting● Enhance the effectiveness of the Board of Directors through the evaluation of the Board of Directors● Enhance discussions at the Nomination Committee and the Compensation Committee, which are composed solely of Members of the Board (Outside) and the Audit and Supervisory Board (Outside)	16
Promoting environmental management	<ul style="list-style-type: none">● Improve the efficiency of energy use with the Energy-saving Diagnosis and reduce CO₂ emissions by utilizing renewable energy● Disclose information in accordance with the Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)● Improve the credibility of environmental performance data by receiving third-party assurance● Promote efforts to conserve water resources, such as reducing water consumption by using water reasonably and promoting reuse with purification equipment● Conduct environmental auditing and optimize the environmental management system to maximize compliance with environmental laws, regulations, and other requirements	6, 7, 12, 13
Promoting the success and development of a diverse range of human resources who can produce competitive advantages	<ul style="list-style-type: none">● Promote group talent management with a focus on developing and nurturing the next generation leaders● Promote diversity and inclusion● Implement initiatives based on action plans for further empowering women● Promote occupational health and safety and work style reforms● Promote the “Work-Life Cycle”	5, 8, 9

Daiichi Sankyo's Strengths

The Daiichi Sankyo Group is working to sustainably increase its corporate value by leveraging our three strengths which are Science & Technology, Global Organization & Talent, and Presence in Japan.



Science & Technology

The Group has high-quality science and technology cultivated over years of operation as a drug discovery-oriented company. We will continue to seek sustainable growth of the Group by leveraging our science and technology, creating innovative pharmaceuticals on an ongoing basis, and thereby meeting unmet medical needs.

Strong R&D DNA Cultivated Over Years of Operation as a Drug Discovery-Oriented Company

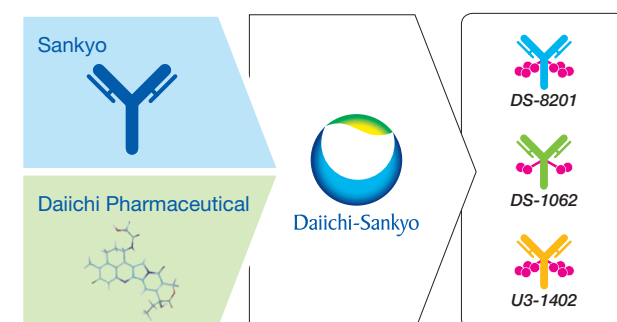
Ever since its founding, the Group has aimed to be a drug discovery-oriented company originating from Japan and focused on in-house drug discovery. During the course of our journey to this end, we have delivered breakthrough proprietary developed products, such as *pravastatin*, *levofloxacin*, *olmesartan*, and *edoxaban*, to patients around the world. Utilizing this strong R&D DNA, honed and cultivated over years of operation, Daiichi Sankyo Group is committed to the development of innovative pharmaceuticals that will change SOC.*

* SOC (Standard of Care): Universally applied best treatment practice in today's medical science

Cutting-Edge Science & Technology to Create Innovative Pharmaceuticals

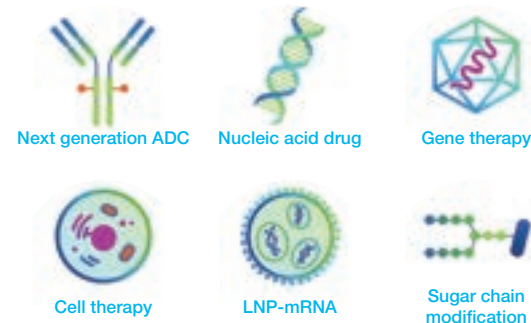
■ Daiichi Sankyo's Proprietary Antibody Drug Conjugate (ADC) Technologies

DS-8201 was created through Daiichi Sankyo's proprietary science and technology. The antibody portion of this drug was created by applying the antibody research and protein engineering capability of the former Sankyo, while the drug payload and linker were born out of the research capabilities of the former Daiichi Pharmaceutical. In order to examine the benefits and issues of the preceding antibody drug conjugates (ADCs) and solve these issues, our researchers screened and optimized combinations of antibodies, linkers, and payloads to ultimately produce the technology we have now. We believe that Daiichi Sankyo's ADCs have been established successfully as a platform technology where a linker and payload can be combined with many different antibodies. There are currently seven ADC projects.



■ Diverse Modality Technologies

The Daiichi Sankyo Group is working on the development and utilization of advanced modality technologies for the creation of innovative pharmaceuticals. We are enhancing our ability to create novel products by utilizing diverse and innovative modality technologies, such as next-generation ADCs, nucleic acid drugs, gene therapy, cell therapy, LNP-mRNA, and sugar chain modification.



■ Powerful Research Engines

In-house drug discovery that leads to business expansion requires researchers with a high degree of specialization and expertise based on a wealth of experience. The Group has established a culture of sharing know-how and deliverables acquired by individual researchers and refining the deliverables. These efforts by our researchers have improved our scientific assessment capabilities, which provide the source of our organizational power. The Group has also fostered a corporate climate to freely exchange views in scientific discussions, regardless of expertise, or position. This culture and corporate climate encourage the pursuit of innovations and research for the creation of innovative pharmaceuticals.

■ Collaboration with Academic Institutions (Open Innovation Activities)

With the aim of efficiently and continuously creating innovative pharmaceuticals that will transform the SOC, the Group is undertaking in-house drug discovery and many other initiatives, including expanding its external drug development network and ensuring diverse sources of innovation. As an example, the Group discovered the anti-ALK2 antibody *DS-6016* through the research collaboration with Professor Katagiri at Saitama Medical University in the open competition grant program TaNeDS. We have been preparing for the start of clinical studies on *DS-6016* as a treatment for a rare disease known as fibrodysplasia ossificans progressiva (FOP), with the support of AMED's CiCLE program.



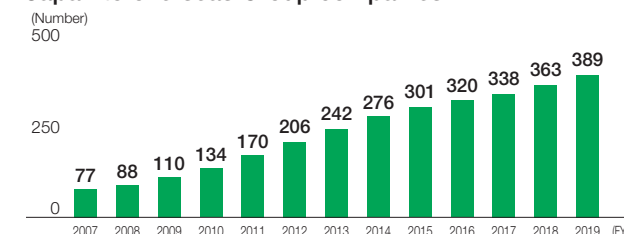
Global Organization & Talent

As a global group, the Group has global human resources with extensive experience, who serve as key players within a diverse global organization. We will continue to work on sustainable growth by capitalizing on the strengths of our global organization and talent, which form the foundation for value creation.

Proactive Acquisition of Global Talent and Development of Future Leaders

The Daiichi Sankyo Group aims for an environment where optimal human resources can achieve success as leaders, regardless of their age or nationality. To this end, we actively acquire and promote human resources with a broad range of experience from both inside and outside of the Group. The Group provides leadership candidates with stretch goals, difficult tasks, and opportunities for overseas transfers and study programs. In addition, we develop their

Cumulative number of new employees seconded from Japan to overseas Group companies



leadership skills and ability to make decisions from a global perspective, through each layer of leadership development training.

Global Management System for Facilitating Swift and Accurate Decision-Making

The Group has established a global management system that combines the functional approach in the value chain with the regional approach of business. For example, at GEMRAD,*1 a decision-making body for R&D projects, senior members from the R&D divisions as well as a range of other specialized divisions make swift decisions from the viewpoint of science and business. At the GMC,*2 which is the highest-ranking global committee structure chaired by the CEO, managers responsible for major functions and regions discuss strategies and policies from a company-wide perspective and make appropriate decisions to maximize value creation throughout the Group.

*1 Global Executive Meeting of Research and Development
*2 Global Management Committee



Presence in Japan

The Group provides information on healthcare and pharmaceutical products with integrity. We are recognized by healthcare professionals as a trusted partner. We will continue to drive sustainable growth by further enhancing our presence in Japan, established through our top-class sales capabilities and ongoing efforts to deliver high-quality pharmaceuticals.

Business Model for Sustainable Growth

By continually launching and expanding the sales of proprietary developed products, Daiichi Sankyo Group works to grow the innovative pharmaceuticals*1 business with a broad portfolio. At the same time, we utilize Daiichi Sankyo Group's superb sales capabilities to acquire licenses for promising products in order to sustain a virtuous cycle that drives further growth. Through this process, we have maintained the No.1 place in terms of pharmaceutical revenue in Japan for four consecutive years*2.

*1 Pharmaceuticals protected during the exclusivity period granted by patents or reexamination period

*2 Based on survey conducted by Encise Inc.

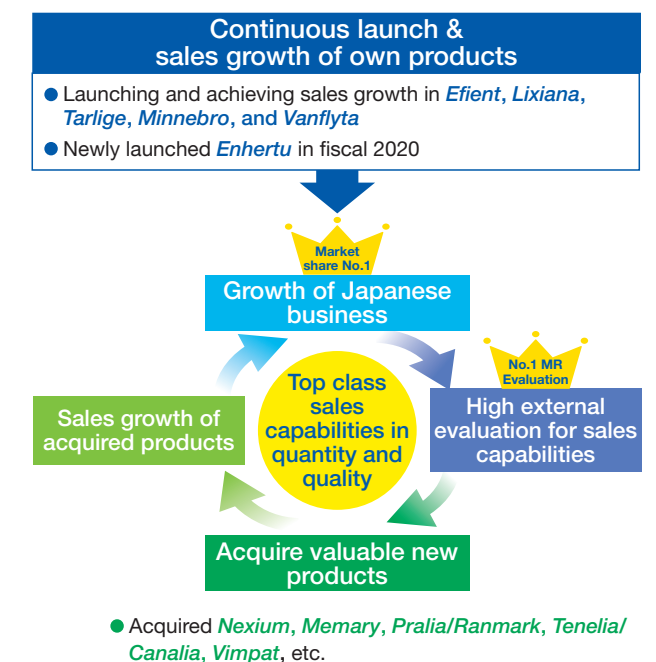
Superb Sales Capabilities

The Daiichi Sankyo Group works to meet the wide-ranging needs of healthcare professionals with a multichannel approach*1. As a result, we have been ranked No. 1 for MR evaluation from healthcare professions for eight consecutive years*2. In addition, thanks to our content-rich training programs, all of our MRs have passed the MR certificate test for ten consecutive years.

*1 MR activities and utilizing of lectures, web seminars, Internet and other methods
*2 Based on survey conducted by INTAGE Healthcare Inc.

Four Businesses Responding to Diverse Medical Needs

By leveraging the strength of its innovative pharmaceutical business, Daiichi Sankyo Group engages in four businesses in Japan, including the generic business, the vaccine business, and the OTC-related business. As the No.1 company in Japan in both name and practice, Daiichi Sankyo Group addresses a wide range of medical needs related to areas such as treatment, reduction of medical costs, prevention, and self-medication, making comprehensive contributions to medicine in Japan.



Corporate Governance

Message from Chairman of the Board

I am committed to working on sustainable improvement of Daiichi Sankyo's corporate value from the outside perspective.

I am honored to be appointed as Chairman of the Board as the successor to the former Chairman Nakayama, and feel a heavy responsibility as the first outside director taking the chair.

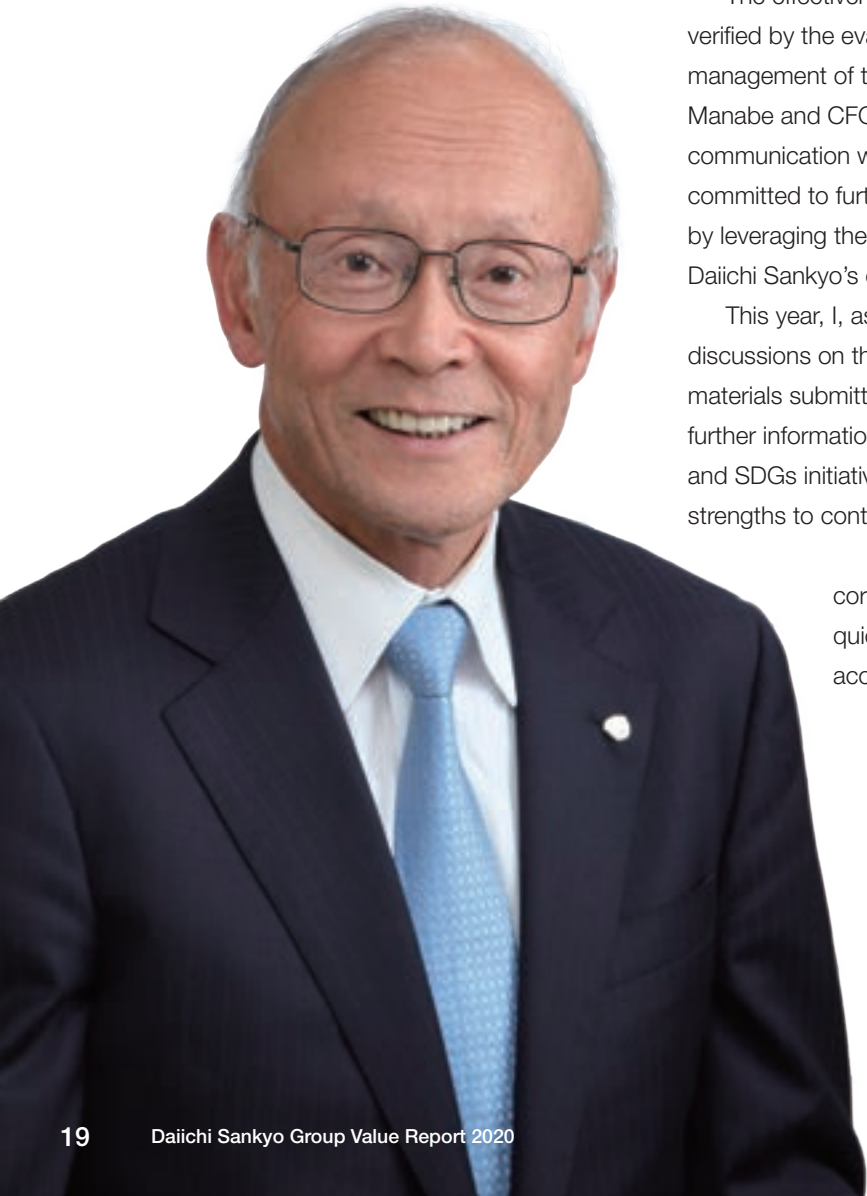
I have six years of experience as an outside director at Daiichi Sankyo and understand the Company's business and culture. I would like to contribute to achieving the vision of becoming a "Global Pharma Innovator with competitive advantage in oncology."

Today, the decision-making function for important management issues as well as the supervisory and monitoring functions over execution are essential for the Board of Directors. I understand that the separation of execution and supervision as well as the transparency of management were key points in the appointment of Chairman from the viewpoint of corporate governance.

The effectiveness of the Company's Board of Directors has been verified by the evaluation of the Board of Directors. In the future management of the Board, I will hold full exchanges of views with CEO Manabe and CFO Sai on the executive side and also emphasize communication with inside and outside directors. I will remain committed to further enhancing and invigorating the Board of Directors by leveraging the outside perspective for sustainable improvement of Daiichi Sankyo's corporate value.

This year, I, as the Chairman, will pay a close attention to sufficient discussions on the next 5-year business plan, the enhancement of materials submitted to the Board of Directors, and the provision of further information to outside directors. In addition, I will focus on ESG and SDGs initiatives to ensure that Daiichi Sankyo leverages its strengths to contribute to society's sustainability.

Furthermore, the entire world is seeking a post-corona vision, and the Company needs to respond quickly to major changes in the world, such as acceleration of digital transformation.



Noritaka Uji
Chairman of the Board

Evolution of the Corporate Governance Structure

The Daiichi Sankyo Group builds a management structure that can respond speedily and flexibly. We also secure legal compliance and management transparency, and strengthen oversight of management and the conduct of operations. In this way, we have been advancing the corporate governance structure for achieving our mission.

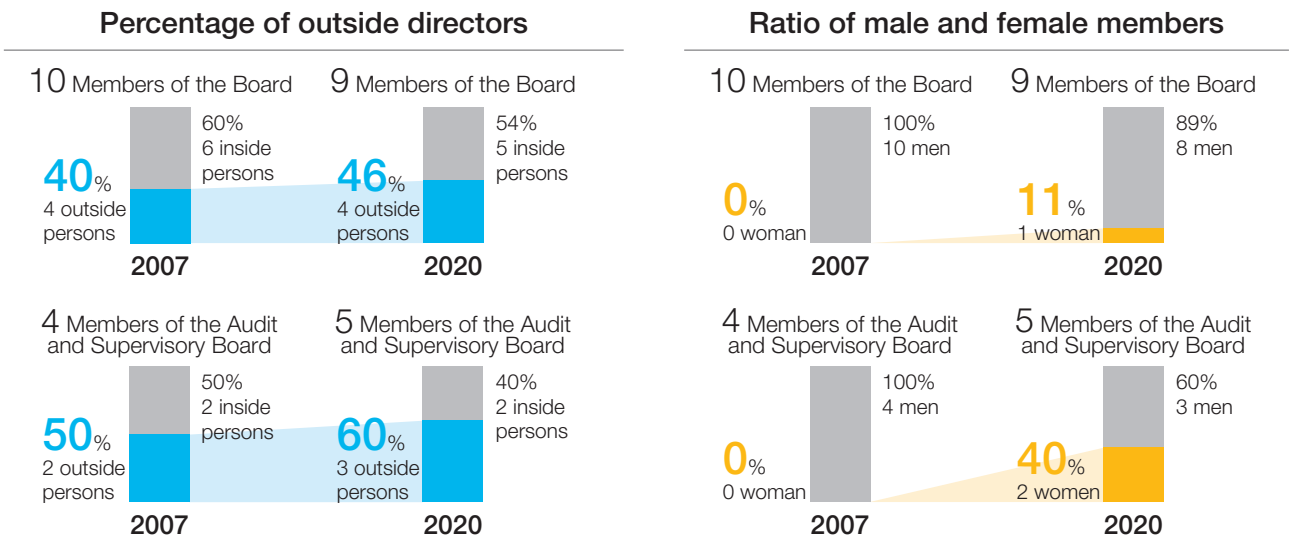
Since the merger of Sankyo Co., Ltd. and Daiichi Pharmaceutical Co., Ltd. in 2007, Daiichi Sankyo has established the Nomination Committee and the Compensation Committee as voluntary committees. A woman was appointed as a Member of the Board in 2019. With the aim of promoting the separation of execution and supervision and increasing the transparency of the Board of Directors, an outside director has served as the Chairman of the Board since 2020.

Through these efforts, we are committed to establishing the corporate governance system for the Board of Directors to appropriately make important business decisions and oversight its management, establishing the internal control system that ensures proper operation under delegation of Board of Directors' authority, and operating the board to improve its function and effectiveness.

Going forward, Daiichi Sankyo will continue to work on enhancing its corporate governance systems, as well as securing and improving the functions and effectiveness of the Board of Directors.

Changes in the Corporate Governance Structure

		2007	2014	2016	2017	2018	2019	2020
Chairman of the Board		Chairman	CEO				Chairman	Members of the Board (Outside)
Members of the Board	Outside	4 persons						4 persons, including 1 female member
	Inside	6 persons					5 persons	
Members of the Audit and Supervisory Board	Outside	2 persons	2 persons, including 1 female member		3 persons, including 2 female members			
	Inside	2 persons						
Nomination Committee		2 outside persons and 1 inside person	4 outside persons	4 outside persons, 1 member of the Audit and Supervisory Board (Outside) (Observer)				
Compensation Committee		2 outside persons and 1 inside person	4 outside persons	4 outside persons, 1 member of the Audit and Supervisory Board (Outside) (Observer)				
Remuneration system (Incentive)		Short term: Performance-based bonus						
		Long term: Share remuneration-type stock option plan			Long term: Restricted share-based remuneration plan			
Corporate Governance Code			Explained about 3 items immediately after applying the Code	Complied with all the items		Explained about 1 item after revision	Complied with all the items	



Overview of the Company's Corporate Governance Structure

To clarify the management responsibility of Members of the Board and reinforce their oversight of management and the conduct of operations, their terms of office are set at one year, and four out of nine are Members of the Board (Outside). In June 2020, a Member of the Board (Outside) was appointed as the Chairman of the Board.

To ensure transparency and improve the supervisory function of management, nomination of candidates for Members of the Board and Corporate Officers and compensation thereof are deliberated on by the Nomination Committee and the Compensation Committee, respectively, which are established as voluntary committees. These Committees consist of four Members of the Board (Outside), and one Member of the Audit and Supervisory Board (Outside) participates in each committee as the observer.

For audits of legal compliance and soundness of management, the Company has adopted an Audit and Supervisory Board system and established the Audit and Supervisory Board comprising five Members of the Audit and Supervisory Board, including three Members of the Audit and Supervisory Board (Outside).

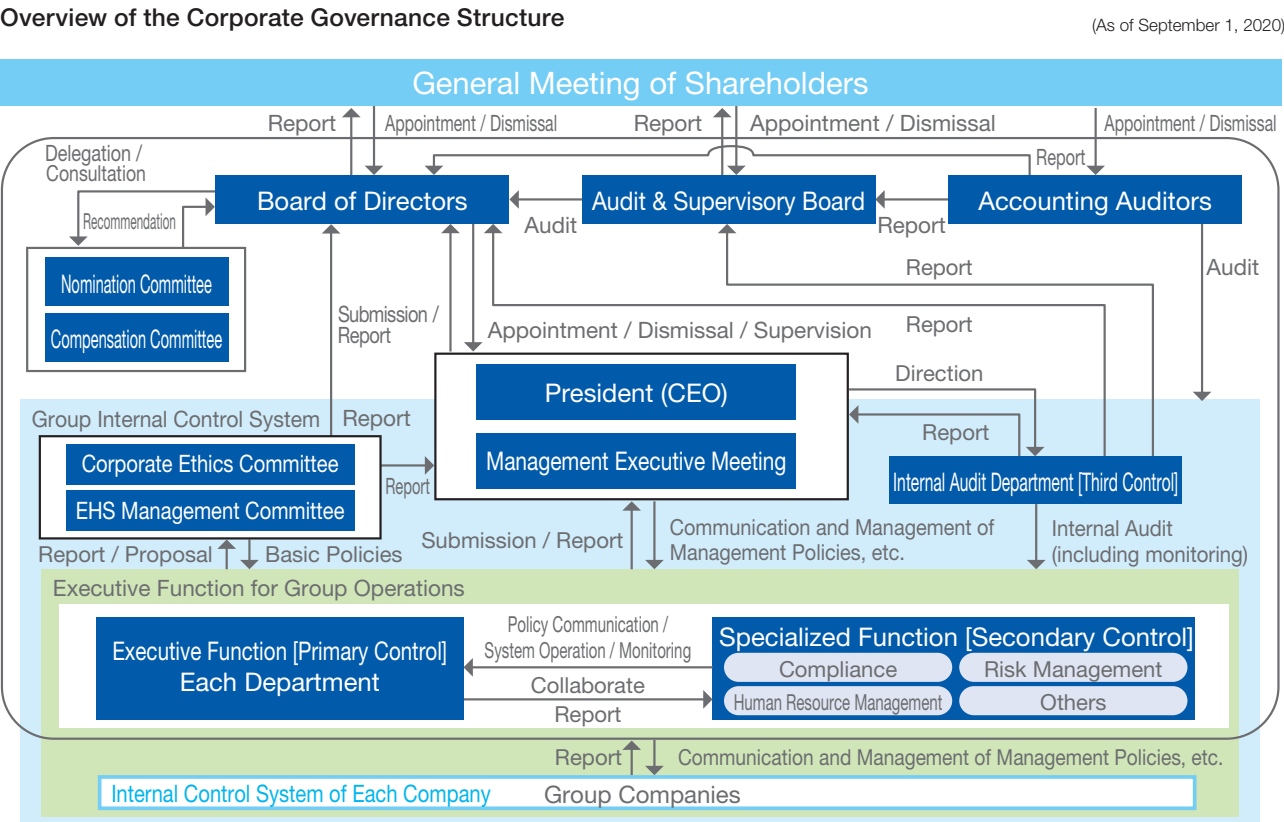
The Company prescribes specific criteria on the judgment of independence of Members of the Board (Outside) and Members of the Audit and Supervisory Board (Outside) and basic matters regarding execution of duties by Members of the Board and Members of the Audit and Supervisory Board.

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

With the aims of ensuring effectiveness and efficiency of operations, ensuring reliability of financial reporting, complying with applicable laws and regulations relevant to business activities, and safeguarding assets, the Company structures its internal control system to consist of self-monitoring carried out by respective organizations which execute its functions (primary controls), policy development and monitoring for respective organizations carried out by the corporate organization (secondary controls), and internal auditing encompassing monitoring carried out by the Internal Audit Department (tertiary controls).

The Company has established the Corporate Ethics Committee chaired by the compliance officer and the EHS* Management Committee chaired by the Chief EHS Officer. The Board of Directors receives reports from the both committees regarding important matters and conducts oversight on ESG initiatives.

* EHS: Environment, Health, Safety



Outside Perspectives

The Company's Members of the Board (Outside) and the Audit and Supervisory Board (Outside) are individuals with expertise, experience, and insight in Japan and overseas in fields including corporate management, medical and pharmaceutical sciences, legal and administrative affairs, and finance and accounting. The Members make decisions from a variety of outside perspectives and make appropriate recommendations and suggestions to the Board of Directors.

Participation of Members of the Board (Outside) and the Audit and Supervisory Board (Outside)

- 1 The Company has nine Members of the Board, of which four are outside members. Members of the Board (Outside) have a diverse background as a corporate manager of telecommunication, general heavy industries or IT/ business strategy / marketing strategy and a medical specialist. They play important roles in enhancing the decision-making and oversight functions of the Board.
- 2 The Audit and Supervisory Board has five members, of which three are outside members. Members of the Audit and Supervisory Board (Outside) have expertise based on experiences as an accountant, administrative diplomat, lawyer, and other specialists, and conduct audits of legal compliance and appropriateness of management.
- 3 Both of the Nomination and the Compensation Committees are established to ensure management transparency and improve the supervisory function of management. All four members of each committee are Members of the Board (Outside), and one Member of the Audit and Supervisory Board (Outside) participates in each committee as the observer.
- 4 In addition to the qualification and performance requirements defined in the Member of the Board Regulations and the Code of Audit and Supervisory Board Member Auditing Standards, both Members of the Board (Outside) and Member of the Audit and Supervisory Board (Outside) meet the independence criteria of the Tokyo Stock Exchange (TSE) and the independence judgment criteria for outside directors set forth by the Company. All the members are reported as independent directors to the TSE.

Outside Directors for FY2020

	Name	Age*	Years of Office	Independent Director	Significant Past Positions	Board of Directors	Nomination Committee	Compensation Committee	Significant Specialty/Background			
									Corporate Management	Medicine/ Pharmacy	Legal/ Administration	Finance/ Accounting
Members of the Board (Outside)	Noritaka Uji	71	6 years	●	Former Representative Director, Senior Executive Vice President, Nippon Telegraph and Telephone Corporation (NTT)	● (Chairman)	○	○	Information and Communications			
	Tsuguya Fukui	68	5 years	●	Former President of St. Luke's International University President of St. Luke's International Hospital (to present)	○	● (Chairperson)	○		Medicine		
	Kazuaki Kama	71	1 year	●	Former President, Chairman & Representative Director of IHI Corporation	○	○	● (Chairperson)	Heavy Industry			Finance
	Sawako Nohara	62	1 year	●	President, IPSe Marketing, Inc. (to present)	○	○	○	IT Business			
Members of the Audit and Supervisory Board (Outside)	Sayoko Izumoto	66	3 years	●	Former Partner at Deloitte Touche Tohmatsu LLC (C.P.A.)	○		□ (Observer)				Accountant
	Tateshi Higuchi	67	2 years	●	Former Superintendent General Former Ambassador Extraordinary and Plenipotentiary of Japan to the Republic of the Union of Myanmar	○		□ (Observer)			Administrative Diplomat	
	Yukiko Imazu	51	2 years	●	Partner Lawyer, Anderson Mori & Tomotsune (to present)	○					Lawyer	

* The ages listed above are as of June 15, 2020 which is the date of the 15th Ordinary General Meeting of Shareholders

Composition and Functions of Each Committee

Nomination Committee

The Nomination Committee has been established to make necessary deliberations on the nomination of Members of the Board, Members of the Audit and Supervisory Board and Corporate Officers as an advisory committee to the Board of Directors and thereby contribute to the enhancement of transparency and supervisory function of management.

In fiscal 2019, meetings were held seven times to discuss some topics such as nomination of candidate Members of the Boards, Members of the Audit and Supervisory Board and Corporate Officers, and successor plan of the President and CEO, candidate executives of Group companies, and diversity of the Board of Directors based on the revised Corporate Governance Code.

Policies and procedures for appointment of Members of the Board, Members of the Audit and Supervisory Board, and CEO and Dismissal of Members of the Board and CEO.

The Company has defined policies and procedures for the appointment of candidate Members of the Board, Members of the Audit & Supervisory Board, and CEO as well as for the dismissal of Member of the Board and CEO. For candidates for Members of the Board, the Board of Directors appoints the candidates after they have been sufficiently verified by Nomination Committee. For candidates for Members of the Audit and Supervisory Board, the Board of Directors appoints the candidates after they have been sufficiently verified by Nomination Committee and then agreed to by the Audit and Supervisory Board. An appointment of Members of the Board and Members of the Audit and Supervisory Board is referred to the General Meeting of Shareholders. As for candidates for the CEO, they are appointed in accordance with the successor plan, qualification requirement definitions, etc. that have been discussed by the Nomination Committee, and an appointment (including reappointment) of the CEO is determined by the resolution of the Board of Directors following the sufficient deliberation and the subsequent recommendation by the Nomination Committee.

VOICE Message from Chairperson of the Nomination Committee

I am pleased to announce my appointment as Chairperson of the Nomination Committee. Chairperson plays a role in appointing individuals who will take positions that determine the fate of Daiichi Sankyo, a large corporate organization with a very important social responsibility that relates directly to the lives of many people, and I feel a deep responsibility.

The role of Chairperson is to determine the content of proposals related to the election and dismissal of executives such as Members of the Board. I understand that the significance of Members of the Board (Outside) serving as members of the Nomination Committee lies in making decisions based on their neutrality and independence. I will make every effort to determine executives with the highest potential to develop Daiichi Sankyo with an eye to contributing to humanity and with an open mind.



Tsuguya Fukui
Member of the Board
(Outside)
(Independent Director)

Compensation Committee

The Compensation Committee has been established to deliberate on the policy on compensation of Members of the Board and Corporate Officers and other matters as an advisory committee to the Board of Directors and contribute to the enhancement of transparency and supervisory function of management.

In fiscal 2019, meetings were held eight times to discuss some topics such as amounts and calculation standards for bonuses of Members of the Board and Corporate Officers, allocation of restricted stocks, examination of the remuneration levels for Members of the Board and Members of the Audit and Supervisory Board, and the revision of the compensation system for Members of the Board and Members of the Audit and Supervisory Board.

Basic design of remuneration to Members of the Board and Members of the Audit and Supervisory Board

The remuneration to Members of the Board (excluding Members of the Board (Outside)) is designed to provide remuneration that contributes to maximizing corporate value. Specifically, in addition to a basic remuneration as fixed remuneration, performance-based bonuses serving as short-term incentive and restricted share-based

remuneration serving as long-term incentive are adopted as variable remuneration. The proportion of each remuneration component is designed to be 60% for basic remuneration, 20% for performance-based bonus, and 20% for restricted share-based remuneration if the performance goal is achieved 100%.

The performance-based bonuses serving as short-term incentives are calculated by adopting revenue, indicating the size of the business, as an index with a high correlation to the maximization of corporate value, ratio of operating income to revenue, indicating the efficiency of business activities, and profit attributable to owners of the Company, indicating the final outcome of corporate activities, as the relevant indices.

With respect to restricted share-based remuneration as long term incentives, the Company grants, every year in principle, shares with transfer restriction effective until immediately after retirement from the Member of the Board (excluding Members of the Board (Outside)). The objective of the incentive is to share value with shareholders over a longer period of time through the continued holding of the Company's shares by Members of the Board (excluding Members of the Board (Outside)).

The Compensation Committee discussed in fiscal 2019 that Daiichi Sankyo will increase variable remunerations and increasing the ratio of it in order to enhance an

incentive to further increase our corporate value. Daiichi Sankyo will further consider revising the remuneration to Members of the Board and Members of the Audit and Supervisory Board, including the introduction of performance linked stock compensation according to the degree of achievement of performance during the period covered by the next 5-year business plan (starting from fiscal 2021).

In order to ensure that Members of the Board (Outside) and Members of the Audit and Supervisory Board adequately perform their role, which is oversight of management, short term and long term incentives are not provided and only basic remuneration is granted.

The Remuneration system for Members of the Board and Member of the Audit and Supervisory Board for Fiscal 2019

Members of the Board (Outside) Members of the Audit and Supervisory Board	Basic Remuneration (fixed) 100%		
Members of the Board	Basic Remuneration (fixed) 60%	Performance-Based Bonus 20%	Restricted Share-Based Remuneration 20%

Breakdown of Performance-Based Bonus (Fiscal 2019)

Evaluation Index	Evaluation Criteria	Weight	Goal	Achievement	Evaluation Factor	Bonus Payment Rate
Revenue	Degree of achievement of the budget for the fiscal year	10%	¥940.0 billion	¥981.8 billion	112.2%*	200.5%
Ratio of operating profit to revenue (operating profit)	Degree of achievement of the budget for the fiscal year	10%	10.6% (¥100.0 billion)	14.1% (¥138.8 billion)	172.2%*	
Profit attributable to owners of the Company	Degree of achievement of the target value in the 5-year business plan	80%	¥60.0 billion	¥129.1 billion	215.1%	

* The evaluation factors of revenue and operating profit margin are calculated by fixed formulas using the comparison of the actual results and the targets.

VOICE Message from Chairperson of the Compensation Committee

The major role of the Compensation Committee is to create a remuneration system that functions as an appropriate incentive for motivating Members of the Board to achieve our management vision and the 5-year business plan.

In fiscal 2019, the Compensation Committee gathered a variety of information to design a new system, discussed it from various perspectives, and deepened considerations. In fiscal 2020, we will formulate the next 5-year business plan. In line with this, we will promote further discussions.

As visualization of remuneration for executives as well as expanded disclosure thereof are promoted, our stakeholders are increasingly interested in the executives' remuneration. We will fulfill our accountability in designing and operating the new system.



Kazuaki Kama
Member of the Board
(Outside)
(Independent Director)

Corporate Ethics Committee

We have established the Corporate Ethics Committee to comply with Japanese and other jurisdictions' laws and regulations as well as corporate ethics, fulfills corporate social responsibility, and ensure compliance of its executives and employees. The Committee also has one appointed external attorney to ensure objectivity.

In fiscal 2019, meetings were held twice to discuss some topics such as revisions to the Code of Conduct for Compliance, the abolition of Daiichi Sankyo Group Individual Conduct Principles, the establishment of Daiichi Sankyo Group Employee Code of Conduct, and the Fiscal 2020 Activity Plan.

EHS Management Committee

We have established the EHS Management Committee in an effort to protect the environment, ensure the health and safety of employees, and contribute to the development of a sustainable society through overall corporate activities, while achieving the uniform management and promotion of Environment, Health, and Safety management for which there is a high likelihood of risks occurring.

In fiscal 2019, meetings were held twice to discuss some topics such as measures to combat climate change, information disclosure in line with TCFD* recommendations, a reduction target for occupational accidents, the establishment of Occupational Health and Safety Management System, global healthy policies.

* TCFD (Task Force on Climate-related Financial Disclosures): This task force was established in December 2015 by the FSB (Financial Stability Board). The FSB is an international organization joined by central banks and financial regulators from the major powers.

Key Discussions at the Board of Directors Meetings

The Board of Directors discusses various issues, including important management matters. The following are key agenda items related to ESG, which has become increasingly important in recent years.

- Compliance management activities in fiscal 2018
- Establishment of information governance structure
- Risk management in fiscal 2018
- EHS Management Committee and Social Contributions Committee
- Identification of material risks for fiscal 2020
- Establishment of the Daiichi Sankyo Group Employee Code of Conduct
- Removal of the storage facility for contaminated soil at the site of the former Yasugawa plant of Sankyo Co., Ltd.
- Daiichi Sankyo Group's materiality for fiscal 2020

* In fiscal 2019, there were 100 items, 50 of which were deliberated and 50 reported.

Examples of Key Discussions related to ESG at the Board of Directors Meetings in Fiscal 2019

Daiichi Sankyo Group Employee Code of Conduct

The Daiichi Sankyo Group Employee Code of Conduct, newly established in April 2020, is a global policy that sets standards of conduct for executives and employees in the Daiichi Sankyo Group to comply with. At a meeting of the Board of Directors held in March 2020 to discuss the Code, lively discussions were made on the importance of ensuring that the Code is fully understood by managers, as well as the importance of ensuring that the Code is also understood by young employees who will lead the Company in the future.

Materiality

In response to the initial proposal, the Members of the Board (Outside) gave various feedback. They pointed out that sufficient explanation was not given regarding the level of importance of material issues such as “promoting compliance management”. It was also mentioned that the importance of “promoting environmental management” should be considered higher although the environmental burdens caused by the business activities of pharmaceutical companies are generally small. The two meetings of the Board of Directors in February and March 2020 had lively discussions about materiality.

Enhancing the Effectiveness and Function of the Board of Directors

Method for Evaluating the Board of Directors

The Company has conducted the evaluation of the Board of Directors every fiscal year. Items to be evaluated includes an assessment of Members of the Board themselves in addition to the Board of Directors as a whole, taking into consideration the principle and supplementary principle associated with the general principle 4, “Roles and Responsibilities of the Board” of Japan’s Corporate Governance Code.

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

The self-evaluation in fiscal 2019 generated quite a few candid opinions about all of the evaluation items using a free description format. The Company has identified the issues from free-descriptions that can help improve the functions and effectiveness of the Board of Directors.

Major Initiatives in Fiscal 2019 for Issues Requiring Improvement Based on the Evaluation Results in Fiscal 2018

	Issues requiring improvement (as determined in fiscal 2018)	Major Initiatives in fiscal 2019
1	Enhancement of discussion on the Board of Directors' decision-making and oversight functions, as well as monitoring and risk management functions	Discussions were held on matters involving risk monitoring and management, business alliances, and information governance structures.
2	Establishment of forums for enhanced discussion in the Board of Directors	Substantive discussions were held on matters such as the trajectory of the Company's oncology business by setting up forums other than meetings of the Board of Directors.
3	Preparation of sufficient proposal and report content as needed for discussion and decision-making materials	Mutually-linked agendas were set and enhancements were made to information for discussions and decision-making.
4	Further enhancement involving delivery of information in a manner that will promote understanding of Members of the Board (Outside) and Members of the Audit and Supervisory Board (Outside)	Explanations were provided on an individual basis prior to each meeting of the Board of Directors. Briefing sessions were held for Members of the Board (Outside) and Members of the Audit and Supervisory Board (Outside). And a tour of Shinagawa R&D Center was carried out.
5	Ensuring the diversity of the Board of Director particularly in terms of gender and nationality	A woman was appointed as a Member of the Board on June 17, 2019.

Priority Measures for the Board of Directors in Fiscal 2020

Fiscal 2020 is a year for developing the next 5-year business plan. Taking into account the appointment of an outside director as Chairman of the Board, among others, we will work to ensure and improve the functions and effectiveness of the Board of Directors by focusing on the priority measures listed on the right.

- ① Enhancement of discussion about the next 5-year business plan
- ② Further enhancement of proposal and report content to the Board of Directors
- ③ Further enhanced delivery of information in a manner that will promote understanding of Members of the Board (Outside) and Members of the Audit and Supervisory Board (Outside)

Status of Audit by Members of the Audit and Supervisory Board

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

As a company with the Audit and Supervisory Board, the Company has five Members of the Audit and Supervisory Board (two Members of the Audit and Supervisory Board (Full-time) and three Members of the Audit and Supervisory Board (Outside)), which includes one certified public accountant.

To further strengthen the audit functions of Members of the Audit and Supervisory Board, three full-time staffers, who are independent from the execution of operations, assist with the duties of Members of the Audit and Supervisory Board.

Activities of the Audit and Supervisory Board and its Members

The Company's Audit and Supervisory Board generally holds meetings one time per month.

Aside from Audit and Supervisory Board meetings, meetings to exchange views among Members of the Audit

and Supervisory Board are held after the Board of Directors' meetings.

Approximately 110 minutes was devoted to Audit and Supervisory Board meetings in an average month, and 24 proposals were placed on the meeting agenda in Fiscal 2019.

Key matters for sharing and consideration in Audit and Supervisory Board meetings

- Audit policy, audit plans, and segregation of duties
- Audit Reports by the Audit and Supervisory Board
- Consent for “Election of Members of the Audit and Supervisory Board” as proposals in General Meetings of Shareholders
- Evaluation of Accounting Auditors
- Evaluation of the effectiveness of the Audit and Supervisory Board
- Status of execution of duties by Members of the Audit and Supervisory Board (Full-time) on a monthly basis
- Audit plans and status of auditing with respect to major domestic Group companies

Activities of Members of the Audit and Supervisory Board

Activities		Relevant Members
Meetings with Representative Directors (Members of the Board)	held twice a year	Full-time / Outside
Meetings with Members of the Board	held once a year	Full-time
Attendance in important meetings	attendance in meetings such as those of the Board of Directors, Management Executive Meeting, Corporate Ethics Committee, and EHS Management Committee	Full-time / Outside (attendance in meetings by Members of the Audit and Supervisory Board (Outside) is limited to those of the Board of Directors)
Attendance, etc. in important meetings of domestic Group companies	acting as Members of the Audit and Supervisory Board (Part-time) of the principal domestic Group companies, attendance in meetings of bodies such as the Board of Directors and Management Executive Meeting of such companies, and perusal of approval documents and other such documentation	Full-time
Perusal of important documents	perusal of documentation that includes approval documents, materials and minutes of important meetings	Full-time
Audit by Members of the Audit and Supervisory Board	Heads of Division, Vice Presidents (department), Vice Presidents (branch), Vice Presidents (research laboratory), internal control officers of domestic and overseas Group companies, etc.	Full-time and some Outside
Advice and requests at the Board of Directors' meetings		Full-time / Outside
Membership of voluntary advisory committees	observer of Nomination Committee and Compensation Committee	Outside
Cooperation with Members of the Board (Outside)	engaging in opinion-exchange	Full-time / Outside
Meetings with Members of the Audit and Supervisory Board (Full-time) of domestic Group companies	held twice a year	Full-time
Cooperation with the Internal Audit Department	reporting internal audit plans and results thereof, periodically engaging in information-sharing and opinion-exchange	Full-time
Cooperation with the Accounting Auditors	receiving briefings and reports from the Accounting Auditor on matters that include the audit plan, audit/quarterly review results, results of internal control audit (J-SOX), and engaging in opinion-exchange	Full-time / Outside

COLUMN

Audit and Supervisory Board evaluation

The Audit and Supervisory Board conducted the Audit and Supervisory Board evaluation for Fiscal 2019 to heighten its effectiveness of the Audit and Supervisory Board.

Implementation method of the Audit and Supervisory Board evaluation

The Audit and Supervisory Board established a wide range of evaluation items to assess Audit and Supervisory Board effectiveness. Each Member of the Audit and Supervisory Board conducted a self-evaluation of the Audit and Supervisory Board by selecting grades and answering free-descriptions. The Audit and Supervisory Board then discussed those matters.

Results of the evaluation of the Audit and Supervisory Board

The evaluation has concluded that although the Company's Audit and Supervisory Board largely carries out its activities appropriately, and the effectiveness of the Audit and Supervisory Board has been ensured, there is room for improvement in terms of heightening its effectiveness going forward. The Audit and Supervisory Board will draw on these results in terms of applying them to initiatives to be carried out for subsequent fiscal years.

Corporate Governance: Messages from Members of the Board (Outside) and Members of the Audit and Supervisory Board (Outside) (Independent Directors)



Noritaka Uji

Member of the Board (Outside)
(Independent Director)

There is a clear need for management systems capable of furnishing a speedy and flexible response to changes in the business environment and a Board of Directors' structure that sufficiently incorporates external view-points. I therefore feel immense responsibility to live up to expectations with this regard as a Member of the Board (Outside).

We believe that Daiichi Sankyo has, during this medium term, found a part of its path toward achieving the 2025 Vision of having competitive advantage in oncology and it is time to discuss the next 5-year business plan. Addressing changes and advancing to achieve our vision is of utmost importance, under the situation where the business environment significantly changes within and outside the Company including a large-scale alliance. In that sense, I will take actions while incorporating the perspective of "aggressive governance".

I am committed to offering viable advice and suggestions based on my insight and experience as a corporate manager in the information and communications industry. At the same time, from my external standpoint, I will strive to facilitate effective corporate governance which can contribute to formulating strategies and making proactive investments for sustainable growth.

Against the backdrop of post-corona challenges and digital transformation, I believe leveraging advances in information and communications technology (ICT) in the management of the Company so as to contribute to the enrichment of quality of life around the world is also extremely important.



Tsuguya Fukui

Member of the Board (Outside)
(Independent Director)

Novel coronavirus infection (COVID-19) is spreading like wildfire. Since St. Luke's International Hospital accepted the second patient with COVID-19 in Japan in late January this year, the hospital has continued to treat patients with COVID-19.

We have learned many things in the last six months. One of them is the importance of "sharing the correct information and making collective decisions" in the event of a medical emergency. Needless to say, pathological conditions of the new infection are not well understood, and new information flies around the world every day. Therefore, false alarms, rumors, and erroneous reports can spread easily in all aspects of diagnosis, treatment, and prevention. Healthcare professionals must gather information (research articles, reports on measures in Japan and overseas, etc.) quickly by using information technology skills, determine whether the information is correct, and make clear decisions about actions and policies to be taken by an organization or individual.

Even as I have been overwhelmed with busy days, I recognized again the significance of the role and expectations for pharmaceutical companies in human society. Everyone is waiting eagerly for the development of COVID-19 drugs and vaccines. As a Member of the Board (Outside), I would like to contribute in some way so that the Company can play an important role in bringing down COVID-19.



Kazuaki Kama

Member of the Board (Outside)
(Independent Director)

With DS-8201 approved in the United States and Japan, the last fiscal year was a milestone year for the Company seeking to achieve the 2025 Vision of becoming a "Global Pharma Innovator with competitive advantage in oncology".

Meanwhile, COVID-19 is rampant around the world. As a pharmaceutical manufacturer, Daiichi Sankyo is expected to be fully committed to confronting this threat and finding solutions.

In this fiscal year, we will formulate the next 5-year business plan. The plan will include clear strategies, measures, and timetables for achieving our 2025 Vision. The COVID-19 pandemic also brings about major changes in the execution of our operations and the way employees work.

As a Member of the Board (Outside), I will play the role of an "attacking force" by determining management policies and supporting measures for the Group's sustainable growth and enhancement of corporate value in the uncertain business environment of "with corona" and "post-corona". At the same time, I will play the role of a "defensive player" by assessing risks and evaluating the effectiveness of governance and internal control.

I intend to fulfill my role by leveraging my experience and knowledge as a corporate manager in a comprehensive heavy industry manufacturer as well as my expertise and practical experience in the fields of finance and accounting.



Sawako Nohara

Member of the Board (Outside)
(Independent Director)

As a company aiming to become a Global Pharma Innovator, Daiichi Sankyo has a broad range of drug discovery patterns, from in-house research and development to manufacturing and sales. The Company makes quick management decisions while keeping a balance between securing immediate earnings and investing in drug discovery for the future. Meanwhile, the expansion of our overseas operations requires a global shift in our management structure. I also believe that it is our important task to promptly implement work style reforms and digital transformation in line with the "with/after-corona" era.

From the perspective of corporate governance, inside and outside Members of the Board hold active and substantive discussions at the Board of Directors Meetings. Although positioned as voluntary committees, the Nomination Committee and the Compensation Committee have been established. In these committees, outside directors play a central role in facilitating in-depth discussions about important topics such as appointment of executives, CEO succession plan, and remuneration for executives. I highly appreciate such roles of outside directors as it can contribute to fulfilling management accountability to stakeholders and increasing our corporate value.

I have entered my second year as an outside Member of the Board. Going forward, I would like to present various questions and proposals actively from an external perspective and thereby contribute to enhancing the Company's corporate value.

Corporate Governance:
Messages from Members of the Board (Outside) and
Members of the Audit and Supervisory Board
(Outside) (Independent Directors)



Sayoko Izumoto

Member of the Audit and
Supervisory Board (Outside)
(Independent Auditor)

With the approval and launch of DS-8201 (ENHERTU) in Japan and the United States, which was followed by accelerated development, 2019 marked the very first major step toward achieving our 2025 Vision of becoming a “Global Pharma Innovator with competitive advantage in oncology.” Drug discovery requires long-term research and development efforts, and a large amount of investment to support the efforts. The key to success lies in the passion of everyone in the Group, from those involved in research, development, and manufacturing to those in charge of sales, for contributing to the enrichment of quality of life around the world. In addition, the Group has accelerated its innovation in cooperation with other organizations for new drug discovery in non-oncology fields. Furthermore, fight against infections revealed by COVID-19 pandemic has gathered a great attention, and expectations are high and challenging for the pharmaceutical industry. On the other hand, global efforts have been made to fulfill our mission. We look forward to seeing growth in 2025 and beyond.

As regards the Company’s business activities, I remain committed to fulfilling my role as a Member of the Audit and Supervisory Board so that the Company can establish good corporate governance structures, in order to disclose information appropriately in compliance with laws and regulations, ensure transparency and fairness in corporate decision-making, and achieve effective corporate governance (Main Purport of General Principle 3).



Yukiko Imazu

Member of the Audit and
Supervisory Board (Outside)
(Independent Auditor)

A higher priority is placed on transparency and compliance in corporate management than ever before. This year, measures have been taken to combat COVID-19, and major changes are brought about to the work style of each employee due to COVID-19. Leveraging my experience in corporate legal affairs and corporate governance with a focus on labor and employment cases as a lawyer, I, as a Member of the Audit and Supervisory Board of the Company, will continuously strive to contribute to establishing good corporate governance in response to the public trust.

In order to fulfill our mission of contributing to the enrichment of quality of life around the world through the creation of innovative pharmaceuticals, and through the provision of pharmaceuticals addressing diverse medical needs, the Company must be flexible to meet the needs of the times. However, when a company tries to make a change, not only opportunities but also risks will arise. A Member of the Audit and Supervisory Board in the capacity of a lawyer is expected to contribute to providing a sense of security to shareholders and increasing corporate value of the Company. In order to achieve these, I will always offer objective opinions from an auditor’s view in accordance from the legal mind and a neutral stance, so that unnecessary legal risks and damages to corporate value will be avoided. I will continue to endeavor to secure compliance and sound management of the Company in pursuit of its sustainable growth.



Tateshi Higuchi

Member of the Audit and
Supervisory Board (Outside)
(Independent Auditor)

It has been two years since I assumed my position as a Member of the Audit and Supervisory Board (Outside).

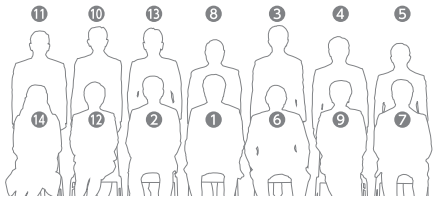
Who could have imagined the current situation at the beginning of the peaceful New Year holidays in 2020? In just a few months, COVID-19 spread rapidly and utterly changed the world. This is an unprecedented situation on a global scale.

The public and private sectors are all at a loss for direction and working hard to find a way to break the deadlock. Now, the question that we are asked: What is the essence that must be respected in any situation and what is the truth that never changes in any situation?

As described in the Japanese four character idiom, *Kyakka Shouko* (meaning “find where you are”), I believe, it is time to revisit our corporate mission: *Contribute to the enrichment of quality of life around the world* through the creation of innovative pharmaceuticals, and through the provision of pharmaceuticals addressing diverse medical needs. The statement lights our way to the future.

As a Member of the Audit and Supervisory Board, I would like to play a role in every way possible in resolving the current issues. I believe this is the way to respond to the expectations and trust of our many stakeholders.

Corporate Governance:
Introduction of Members of the Board
and Members of the Audit and
Supervisory Board



Members of the Board

Representative Director,
Member of the Board,
President and CEO

Sunao Manabe ❶

Career Summary, Positions, and Assignments
1978 Entered Sankyo Company, Limited ("Sankyo")
2005 Vice President, Medicinal Safety Research
Laboratories of Sankyo
2007 Vice President, Medicinal Safety Research
Laboratories of the Company
2009 Corporate Officer, Vice President of Global
Project Management Department, R&D
Division of the Company
2011 Corporate Officer, Head of Group HR & CSR
of the Company
2012 Corporate Officer, Vice President of Corpo-
rate Strategy Department, Corporate Strategy
Division of the Company
2014 Executive Officer, President of Japan
Company and Head of Business Intelligence
Division of the Company
2014 Member of the Board, Executive Officer,
President of Japan Company and Head of
Business Intelligence Division of the Company
2015 Member of the Board, Senior Executive
Officer, In Charge of Global Sales & Marketing
of the Company
2016 Member of the Board, Executive Vice
President, Head of General Affairs & Human
Resources Division, and Medical Affairs
Division of the Company
2016 Representative Director, Member of the
Board, Executive Vice President, Head of
General Affairs & Human Resources Division,
and Medical Affairs Division of the Company
2017 Representative Director, Member of the
Board, President and COO of the Company
2019 Representative Director, Member of the Board,
President and CEO of the Company (to present)

Representative Director, Member of the Board,
Executive Vice President and CFO, Head of
Corporate Strategy & Management Division

Toshiaki Sai ❷

Career Summary, Positions, and Assignments
1979 Entered Daiichi Pharmaceutical Co., Ltd.
2007 Vice President, Management System
Department of the Company
2008 Vice President, Corporate Communications
Department of the Company
2010 Corporate Officer, Vice President of Corpo-
rate Communications Department of the
Company
2012 Corporate Officer, Vice President of Global
Brand Strategy Department, Corporate
Strategy Division of the Company
2014 Executive Officer, Vice President of Corporate
Strategy Department, Corporate Strategy
Division of the Company
2015 Senior Executive Officer, Head of Corporate
Strategy Division of the Company
2015 Member of the Board, Senior Executive
Officer, Head of Corporate Strategy Division
of the Company
2017 Member of the Board, Senior Executive
Officer, Head of Global Brand Strategy
Division of the Company
2018 Member of the Board, Executive Vice
President and CFO, Head of Corporate
Strategy & Management Division of the
Company
2018 Representative Director, Member of the
Board, Executive Vice President and CFO,
Head of Corporate Strategy & Management
Division of the Company (to present)

Members of the Board, Senior
Executive Officer, Head of
Sales & Marketing Division

Satoru Kimura ❸

Career Summary, Positions, and Assignments
1981 Entered Daiichi Pharmaceutical Co., Ltd.
2009 Vice President of Kyoto Branch, Sales &
Marketing Division, Japan Company of the
Company
2014 Corporate Officer, Head of Sales & Marketing
Division and Vice President of Marketing
Department, Japan Company of the
Company
2015 Executive Officer, Head of Sales & Marketing
Division of the Company
2016 Senior Executive Officer, Head of Sales &
Marketing Division of the Company
2019 Member of the Board, Senior Executive
Officer, Head of Sales & Marketing Division
of the Company (to present)

Senior Executive Officer,
Head of Digital Transformation
Management Division

Masahiko Ohtsuki ❹

Career Summary, Positions, and Assignments
1987 Entered Sankyo Company, Limited
2010 Vice President, R&D Planning Department,
R&D Division of the Company
2012 Vice President, Research Oversight Function,
R&D Division of the Company
2013 Vice President, Research Oversight Function,
R&D Division of the Company
2014 Corporate Officer, Vice President of Research
Oversight Function, R&D Division of the Com-
pany
2018 Corporate Officer, Vice President of Business
Development & Licensing Department of the
Company
2019 Executive Officer, Vice President of Business
Development & Licensing Department of the
Company
2020 Senior Executive Officer, Head of Digital
Transformation Management Division
2020 Member of the Board, Senior Executive Officer,
Head of Digital Transformation Management
Division of the Company (to present)

Senior Executive Officer,
Head of Global Brand
Strategy Division

Shoji Hirashima ❺

Career Summary, Positions, and Assignments
1988 Entered Daiichi Pharmaceutical Co., Ltd.
2010 CEO, U3 Pharma GmbH
2015 Vice President, Corporate Strategy Depart-
ment, Corporate Strategy Division of the
Company
2016 Vice President of Corporate Strategy
Department and Senior Director of Oncology
Business Group, Corporate Strategy Division
of the Company
2017 Corporate Officer, Vice President of Corpo-
rate Business Management Department,
Corporate Strategy and Management Division
2019 Executive Officer, Head of Global Brand
Strategy Division of the Company
2020 Senior Executive Officer, Head of Global
Brand Strategy Division of the Company
2020 Member of the Board, Senior Executive
Officer, Head of Global Brand Strategy
Division of the Company (to present)

Member of the Board
(Outside)
(Independent Director)

Noritaka Uji ❻

Career Summary, Positions, and Assignments
1973 Entered Nippon Telegraph and Telephone
Public Corporation (currently, Nippon
Telegraph and Telephone Corporation (NTT))
Director, Senior Vice President, Advanced
Information Network Services Sector of NTT
DATA Corporation ("NTT DATA")
2000 Director, Senior Vice President, Corporate
Strategy Planning Department of NTT DATA
2001 Director, Senior Vice President, Industrial
System Sector of NTT DATA
2002 Director, Senior Vice President, Enterprise
Business Sector of NTT DATA
2003 Managing Director, Executive Vice President,
Enterprise Systems Sector and Enterprise
Business Sector of NTT DATA
2005 Representative Director, Executive Officer of
NTT DATA
2007 Representative Director, Senior Executive
Vice President, Nippon Telegraph and
Telephone Corporation ("NTT")
2012 Adviser of NTT
2014 Member of the Board (Outside) of the
Company (to present)

(Material Concurrent Positions)
· External Director of Yokogawa Electric Corporation
· Honorary Chairman of Japan Institute of Informa-
tion Technology
· Honorary President of Japan Telemark Association
· Visiting Professor of Center for Global Communi-
cations, International University of Japan

Member of the Board (Outside)
(Independent Director)

Tsuguya Fukui ❼

Career Summary, Positions, and Assignments
1992 Professor, Department of General Medicine of
Saga Medical School Hospital
1994 Professor, Department of General Medicine of
Kyoto University Hospital
1999 Professor, Department of Clinical Epidemiol-
ogy, Kyoto University Graduate School of
Medicine
2000 Professor, Department of Clinical Epidemiol-
ogy, Professor, Department of Health
Informatics, Dean, School of Public Health,
Kyoto University Graduate School of
Medicine
2001 Professor, Department of Clinical Epidemiol-
ogy, Professor, Department of Health
Informatics, Director, EBM Collaborative
Research Center, School of Public Health,
Kyoto University Graduate School of
Medicine
2004 Chief of Staff, Department of Internal
Medicine, Vice President, St. Luke's
International Hospital
2005 President of St. Luke's International Hospital
(to present)
2012 Chairperson of the Board of Trustees of St.
Luke's College of Nursing (currently St. Luke's
International University)
2015 Member of the Board (Outside) of the
Company (to present)
2016 President of St. Luke's International University

(Material Concurrent Positions)
· President of St. Luke's International Hospital
· Executive Director of Japan Hospital Association
· President of The Japan Medical Library Associa-
tion

Member of the Board (Outside)
(Independent Director)

Kazuaki Kama ❸

Career Summary, Positions, and Assignments
1971 Entered Ishikawajima-Harima Heavy
Industries Co., Ltd. (currently, IHI Corporation)
1987 Executive Vice President of IHI INC.(New
York)
2002 Associate Director and Deputy General
Manager of Finance and Accounting Division
of Ishikawajima-Harima Heavy Industries Co.,
Ltd.
2004 Executive Officer and General Manager of
Finance and Accounting Division of Ishikawa-
jima-Harima Heavy Industries Co., Ltd.
2005 Managing Executive Officer, General Manager
of Finance and Accounting Division of
Ishikawajima-Harima Heavy Industries Co.,
Ltd.
2005 Board Director, Managing Executive Officer,
General Manager of Finance and Accounting
Division of Ishikawajima-Harima Heavy
Industries Co., Ltd.
2007 President and Chief Executive Officer of
Ishikawajima-Harima Heavy Industries Co.,
Ltd.
2012 Chairman of the Board of IHI Corporation
2016 Board Director of IHI Corporation
2016 Executive Corporate Advisor of IHI Corpora-
tion
2019 Member of the Board (Outside) of the
Company (to present)
2020 Senior Advisor of IHI Corporation (to present)

(Material Concurrent Positions)
· Senior Advisor of IHI Corporation
· Outside Director of SUMITOMO LIFE INSURANCE
COMPANY
· Statutory Auditor (Outside) of Tokyo Stock
Exchange, Inc.

Member of the Board (Outside)
(Independent Director)

Sawako Nohara ❾

Career Summary, Positions, and Assignments
1980 Entered Mitsubishi Petrochemical Co., Ltd.
(currently, Mitsubishi Chemical Corporation)
1988 Entered Life Science Institute Co., Ltd.
1995 Entered InfoCom Research, Inc.
1998 Head of the E-Commerce Business
Development Group of InfoCom Research,
Inc.
2001 President of IPSe Marketing, Inc. (to present)
2006 Outside Director of the Board of NEC
Corporation
2009 Project Professor of the Graduate School of
Media and Governance, Keio University
2012 Audit & Supervisory Board Member (Outside)
of Sampo Japan Insurance Inc.
2013 Outside Director of the Board of NKJSJ
Holdings, Inc. (currently, Sampo Holdings,
Inc.) (to present)
2014 Outside Director of the Board of Nissha
Printing Co., Ltd. (currently, Nissha Co., Ltd.)
2014 Outside Director of the Board of JAPAN
POST BANK Co., Ltd.
2018 Outside Audit & Supervisory Board Member
of Tokyo Gas Co., Ltd. (to present)
2019 Member of the Board (Outside) of the
Company (to present)
2020 Project Professor of the Graduate School of
Media and Governance, Keio University (to
present)

(Material Concurrent Positions)
· President of IPSe Marketing, Inc.
· Project Professor of the Graduate School of Media
and Governance, Keio University
· Outside Director of the Board of Sampo Holdings,
Inc.
· Outside Audit & Supervisory Board Member of
Tokyo Gas Co., Ltd.

Members of the Audit and Supervisory Board

Member of the Audit and
Supervisory Board

Ryoichi Watanabe ❿

Career Summary and Positions
1981 Entered Sankyo Company, Limited
("Sankyo")
2003 Vice President, Accounting Department of
Sankyo
2004 Vice President, Business Performance
Management Department of Sankyo
2007 Vice President, Corporate Accounting
Department of the Company
2009 Vice President, Corporate Finance &
Accounting Department of the Company
2012 Vice President, General Affairs & Procure-
ment Department, General Affairs & Human
Resources Division of the Company
2014 Vice President, Finance & Accounting
Department, Corporate Management
Division of the Company
2015 Vice President, Internal Audit Department of
the Company
2016 Corporate Officer, Vice President, Internal
Audit Department of the Company
2019 Corporate Officer, in charge of Internal Audit
Department of the Company
2019 Member of the Audit and Supervisory Board
of the Company (to present)

Member of the Audit and
Supervisory Board

Kenji Sato ⓫

Career Summary and Positions
1988 Entered Daiichi Pharmaceutical Co., Ltd.
2016 Vice President, R&D General Affairs &
Human Resources Department, R&D
Division of the Company
2019 Principal, R&D General Affairs & Human
Resources Department, R&D Division of the
Company
2019 Member of the Audit and Supervisory Board
of the Company (to present)

Member of the Audit and
Supervisory Board (Outside)
(Independent Auditor)

Sayoko Izumoto ⓬

Career Summary and Positions
1976 Joined Tohmatsu Awoki & Co. (currently
"Deloitte Touche Tohmatsu LLC")
1979 Registered as Certified Public Accountant
1995 Partner of Tohmatsu & Co. (currently "Deloitte
Touche Tohmatsu LLC")
2007 Member of Business Accounting Council,
Financial Services Agency
2015 Member of Information and Communications
Council, Ministry of Internal Affairs and Com-
munications (to present)
2016 Representative, Izumoto Certified Public
Accountant Office (to present)
2017 Member of Information Disclosure and
Personal Information Protection Review
Board, Ministry of Internal Affairs and
Communications (to present)
2017 Member of the Audit & Supervisory Board
(Outside) of the Company (to present)

(Material Concurrent Positions)
· Member of Information and Communication
Council, Ministry of Internal Affairs and Commu-
nications
· Member of Information Disclosure and Personal
Information Protection Review Board, Ministry of
Internal Affairs and Communications
· Representative of Izumoto Certified Public
Accountant Office
· External Audit and Supervisory Board Member of
Freund Corporation
· Outside Director of Hitachi Transport System,
Ltd.

Member of the Audit and
Supervisory Board (Outside)
(Independent Auditor)

Tateshi Higuchi ⓭

Career Summary and Positions
1978 Entered National Police Agency
2007 Deputy Director General for Policy Evalua-
tion and Deputy Director General of National
Police Agency
2008 Chief of Personnel and Training Bureau of
Tokyo Metropolitan Police Department
2009 Deputy Superintendent General and Acting
Chief of Personnel and Training Bureau of
Tokyo Metropolitan Police Department
2010 Chief of Community Safety Bureau of
National Police Agency
2011 Superintendent General
2014 Ambassador Extraordinary and Plenipoten-
tiary of Japan to the Republic of the Union
of Myanmar
2018 Member of the Audit and Supervisory
Board(Outside) of the Company (to present)

(Material Concurrent Positions)
· Outside Director of MIURA CO., LTD.
· Member of Japan Casino Regulatory Commis-
sion, an external bureau of the Cabinet Office
· External Member of the Audit and Supervisory
Board of TAISEI CORPORATION

Member of the Audit and
Supervisory Board (Outside)
(Independent Auditor)

Yukiko Imazu ⓮

Career Summary and Positions
1996 Entered Anderson Mori (currently, Anderson
Mori & Tomotsune)
2005 Partner of Anderson Mori & Tomotsune (to
present)
2007 Associate Professor of Keio University Law
School
2014 Director of Ishibashi Foundation (to present)
2018 Member of the Audit & Supervisory Board
(Outside) of the Company (to present)

(Material concurrent positions)
· Partner of Anderson Mori & Tomotsune
· Director of Ishibashi Foundation

(as of September 1,2020)

Risk Management

The Daiichi Sankyo Group identifies factors that may prevent the Group from attaining its organizational goals and targets and that can be predicted in advance as risks. The Group is promoting risk management by taking steps to address risks inherent in corporate activities by retaining, reducing, avoiding, or eliminating these risks. In addition, we seek to minimize the impacts of risks on people, society, and the Group should they occur. Specifically, in addition to establishing the risk management system that defines steps to address risks inherent in corporate activities, the Group has a business continuity plan (BCP*) that enables it to continue to operate even in the event of a disaster, etc., that may affect its business, as well as a crisis management system to minimize loss should a risk greater than expected occur.

Regarding the spread of COVID-19 since the last fiscal year, we assessed its impact on our business and took necessary measures from two perspectives: preventing the spread of infection and continuing our business. We are still monitoring the status of COVID-19 cases while considering additional measures against a possible relapse of the pandemic.

*Business Continuity Plan

Risk Management

In promoting the risk management of the Group, the chief financial officer (CFO) oversees Group-wide risk management as the risk management officer (RMO) and operates the risk management system in conjunction with an annual cycle of formulating and implementing business plans.

In addition, the heads of units autonomously manage risks to aid the accomplishment of their units' goals and targets. To this end, they extract risks, formulate and implement countermeasures, and provide employees with information on underlying risks in the organization, education, and insight concerning risk management.

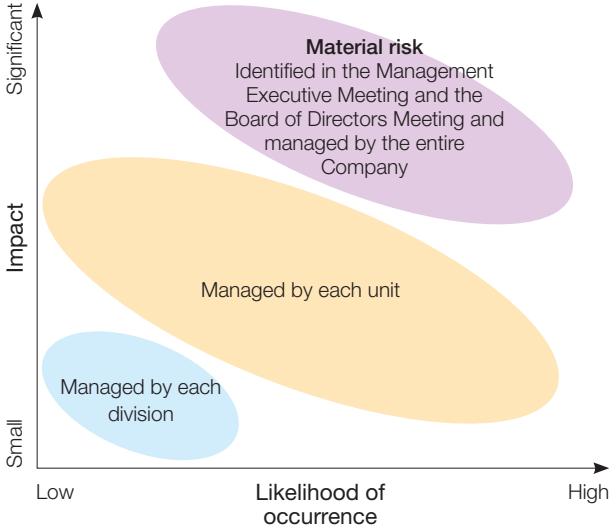
The Risk Management Office (Corporate Business Management Department) assesses the risks extracted in each unit from the aspects of their impact and probability.

Risks with the potential to significantly affect the management of the Company are identified as material risks by the Management Executive Meeting and the Board of Directors Meeting (see the conceptual diagram below on the Group's risk level classification). In addition, responsible persons are appointed for each material risk identified and they implement risk countermeasures in cooperation with relevant organizations. The progress of the risk countermeasures is checked through risk monitoring twice a year and the countermeasures are corrected or improved upon as necessary. Should precursors of the potential occurrence of a material risk be detected, related information will quickly be assembled for the RMO and reported to the CEO.

Overview of the risk management structure



Conceptual diagram of the Group's risk level classification



Major Risks and Their Management

The table below summarizes Major Risks extracted from the Group's material risks and management risks at each unit/division. In extracting the risks, the possibility of impact on investment decisions and other similar matters were considered.

Area	Risk Summary	Status of Risk Management
Research and Development/ Alliances with Other Companies	For new drug candidates, in particular, <i>trastuzumab deruxtecan (DS-8201)</i> , potential risks include the discontinuation of the collaborative research and development (R&D) project with AstraZeneca, changes to approval review criteria and other similar matters may result in failure or delay to obtain approval, and the terms and conditions of the R&D alliance agreement may be amended or terminated, among other risks.	<ul style="list-style-type: none">Establish a joint executive committee between the Group and AstraZeneca regarding <i>DS-8201</i> to formulate a vision and strategy and to manage progress, among othersManage and reduce pharmaceutical risks through constant communication with the applicable authorities
Side Effects and Quality Issues of Pharmaceuticals	Pharmaceutical products may be recalled or withdrawn from the market due to quality issues or unpredicted side effects. Significant expenses may be incurred in connection with liability for health damage or other similar matters.	<ul style="list-style-type: none">Perform objective assessments, reviews, and analysis of safety management information (e.g., information on side effects) collected both in Japan and from around the world; and deliver information, as appropriate, to the authorities and/or healthcare practitioners.Provide all employees with training in safety management information every year
Manufacturing / Procurement	There is the potential for adverse risk with a delay, suspension, or other similar issues in manufacturing and procurement due to damage to the Company's facilities, impairment of social infrastructure, or technical reasons, among others.	<ul style="list-style-type: none">Put systems in place to restore operations quickly in the event of an emergency and to ensure a steady supply of pharmaceutical products with assured quality to help support the continued provision of medical servicesDisperse manufacturing and distribution sites, and introduce private electricity generators
Litigation	Lawsuits may arise over pharmaceutical side effects, product liability, labor issues, and fair trade issues, among others.	<ul style="list-style-type: none">Minimize legal risks and maximize business opportunities from the perspectives of laws and regulations, contracts, and dispute prevention and resolutionEstablish preventive measures against compliance violations as well as strong remediation to address any such violations
Laws, Regulations, and Regulatory Trends to Limit Healthcare Expenditures in Japan	Adverse effects may be caused by administrative measures related to NHI drug price revisions, healthcare system, and health insurance.	<ul style="list-style-type: none">Revise wholesale prices and rebates in light of NHI drug price system reforms and distribution improvement guidelinesEstablish and implement appropriate sales contracts
Breaches of Laws	There is the risk that serious breaches of laws and regulations, including personal fraud by executives and employees	<ul style="list-style-type: none">Strictly comply with laws and regulations and implement measures to prevent breaches and raise awareness through education, ongoing training, and other similar activitiesMonitor and auditing of business operations to detect any inappropriate activities as early as possible
Financial Market and Foreign Exchange Rate Fluctuations	Adverse effects may result from a sluggish stock market, interest rate trends, or exchange rate fluctuations.	<ul style="list-style-type: none">Reduce cross-shareholding sharesReview the pension fund asset allocation during the periodEnter into currency hedging transactions
IT Security and Information Management	Network virus infection, cyber-attacks, and other similar events may result in a system shutdown or leakage of confidential information, including personal data.	<ul style="list-style-type: none">Appoint the CIO*¹ and the CISO*² to establish a global organization structure in the information fieldProvide employees with training in information managementStrengthen the Group's information security infrastructure and improve its operation
Impact of Spread of COVID-19	Delays of goods in the supply chain and other similar issues caused by the spread of COVID-19 may affect the stable supply of products. In addition, delays in ongoing clinical trials and protocol violations resulting from the uncertainty in clinical settings due to COVID-19 which may also impact product approval.	<ul style="list-style-type: none">Set up the COVID-19 Emergency HeadquartersEnsure the stock of pharmaceuticalsContinue to manage clinical trials with the highest priority on the safety of subjects and also modify our clinical trials, as needed, due to impact of COVID-19.
Overseas Business Development	Overseas business operations may bring risks of political instability in regions, adverse economic conditions, conflicts with laws, regulations, or other requirements, and worsened labor-management relations, among other risks.	<ul style="list-style-type: none">Appoint persons in charge of risk management at overseas subsidiaries, and collect and share information on a regular basisWhen a problem arises, the persons serve as a hub for solving the problem promptly in cooperation with local subsidiaries
Environment / Safety	There is the possibility that people, both internal and external, may be exposed to chemicals. There is the possibility that the Group's operations may result in soil, air, and other environmental pollution, and may also have adverse effects on climate change.	<ul style="list-style-type: none">Established SOPs to manage chemical substances which is including stricter criterion than regulatory standards, and undertake continued monitoring.Disclose information in accordance with the Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)
Intellectual Property Rights	If a third party asserts that the Group's operations have infringed the party's patent or other intellectual property rights, the Group may face a lawsuit or it may impact the business. If a third party infringes Daiichi Sankyo intellectual property rights, a lawsuit may be filed.	<ul style="list-style-type: none">Create and protect intellectual property to maximize values and minimize risksEstablish a system to minimize the impact of any intellectual property dispute in cooperation with internal and external parties
Recoverability of Deferred Tax Assets	Decrease in the amount of taxable income, deductible temporary differences due to tax reform or other reasons, and reassessment of tax loss carryforwards may have adverse effects.	<ul style="list-style-type: none">Review future taxable income as appropriate in light of changes in the business environment and other factors

*1 Chief Information Officer

*2 Chief Information Security Officer

Business Continuity Plan

The Daiichi Sankyo Group has formulated a business continuity plan (BCP) in preparation for four major threats to business continuity: natural disasters, facility accidents, pandemic influenza and other infectious diseases, system failures and cyberattacks. Based on this plan, systems are in place to quickly restore operations in the event of an emergency and to ensure a stable supply of pharmaceutical products with assured quality to support the continued provision of medical services.

Business Continuity Plan Measures in Supply Chain

Based on its experiences following the Great East Japan Earthquake, we revised our BCP in 2012. Since then, we have continued to improve upon the BCP through such means as reviewing the list of priority supply drugs for which supply should be prioritized and the disaster response plans at our production sites based on revisions to national disaster response plans and social needs. In this manner, we strive to ensure effective response measures are taken in the event that a risk occurs.

For the stable supply of pharmaceutical products, we have prepared a BCP for each production site in Japan in

consideration of its functional and regional characteristics by estimating the recovery time based on the damage from the largest earthquake expected. As shown in the table below, BCP measures are taken for necessary management resources such as facilities, logistics/inventory, personnel, and information from four view-points: implementing preventive measures, ensuring diversity, ensuring support measures, and ensuring alternative measures. For example, our measures for facilities include reinforcing buildings and facilities, operating multiple sites, and securing emergency power. Measures for logistics/inventory include ensuring backup inventory of priority supply drugs, decentralizing their storage, and other actions that combine measures to mitigate risks in advance.

In addition, we have developed and regularly revise the list of priority supply drugs that are used by a large number of patients, that are needed in emergencies, or that cannot be substituted by other drugs. In this way, we have established a system to supply necessary drugs continuously and appropriately when risks occur.

Business Continuity Plan Measures in Supply Chain

Management Resources	Implementing Preventive Measures	Ensuring Diversity	Ensuring Support Measures	Ensuring Alternative Measures
Facilities	Reinforcing buildings/facilities	Operating multiple sites Operating multiple facilities	Securing spare items and repair parts, securing standby machines and emergency power	Moving facilities Alternative processes
Logistics/Inventory	Ensuring backup inventory	Ensuring multiple channels Distributed inventory	Emergency procurement agreement	Alternative transportation Shipping from alternative sites
Personnel	Preparing manuals Education and training	Operating at multiple sites Securing backup personnel	Dispatching support personnel from other sites	
Information	Distributed facilities (Ex: distributed server system, etc.)	Parallel operation	Data backup	Considering alternative processes Reconstructing data

Pandemic Influenza Action Plan

To prepare for a global outbreak of pandemic influenza, the Group formulated the Pandemic Influenza Action Plan in 2009 for the purpose of ensuring the safety of employees and their families and continuing the supply of pharmaceuticals. In addition, Daiichi Sankyo is a designated public corporation under the Act on Special Measures for Pandemic Influenza and New Infectious Diseases Preparedness and Response and has the responsibility to cooperate with measures taken by national and local administrative organs. We work to fulfill our corporate social responsibilities by contributing to

maintaining the healthcare system through the continued supply of pharmaceuticals.

The Pandemic Influenza Action Plan prescribes operations that need to be continued in the event of an outbreak or spread of the disease, and defines an action plan for each operation according to the stage of the outbreak. In response to the recent outbreak of COVID-19, we have taken flexible measures in accordance with the Action Plan, and, based on the knowledge gained through this experience, we will review the Action Plan to make it more practical.

Crisis Management

The Group's Global Crisis Management Policy collectively defines crises as events that have occurred and require immediate response and other events with extremely high likelihood of occurrence, among potential risks in business activities. For the purpose of minimizing loss due to the occurrence of a crisis, the policy stipulates basic items related to crisis management. The policy stipulates that “In the event of a crisis, crisis management shall be conducted promptly and certainly to minimize the impact on people, society, and the company with the principle of securing the lives of Daiichi Sankyo Group employees and related parties and the safety of the local community, and fulfilling the responsibilities of a company that is engaged in a business that affects human lives, and making efforts to ensure business continuity and early recovery from the crisis.”

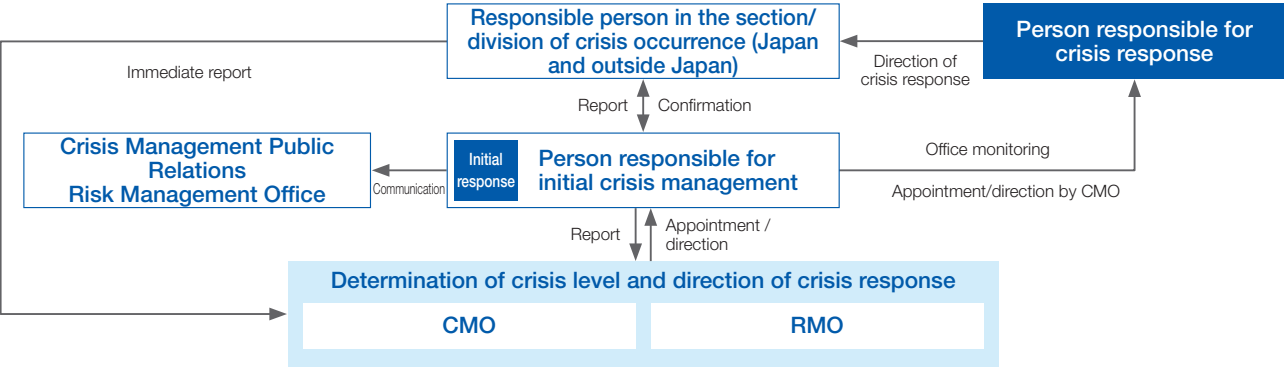
The Group also has a structure to respond flexibly to crisis depending on the type (disaster/accident, incident including terrorism, scandal, breach of laws, information management-related problem, product-related problem)

or the degree of impact of the crisis (see the figure below). We have clearly defined the reporting criteria and channels and established the crisis management officer (CMO), either the CEO or an officer appointed by the CEO, and the person responsible for the initial crisis management (the vice president of the General Affairs and Procurement). For a crisis with a global impact requiring company-wide response, we strive to prevent the situation from escalating and to resolve it by sharing the relevant information with the RMO (CFO) and through quick and appropriate initial response. After the crisis has been resolved, we conduct ex-post analysis to prevent a recurrence of the crisis and improve our response.

In response to COVID-19, we established the COVID-19 Emergency Headquarters headed by the CEO at an early stage, and work together with different departments to ensure the safety of employees as well as the stable supply of pharmaceuticals.

For details of actions against COVID-19, refer to page 43.

Initial response to crisis



COLUMN

Information Security

Information Management Initiatives

Amid the rapid increase in sophisticated cyber attacks in recent years, the information management environment has changed significantly, including the strengthening of information-related laws and regulations in each country. In April this year, the Group strengthened its information management structure led by the CISO,*1 and established the Information Security Policy. This Policy applies not only to electronic information, but to all information including paper-based and oral information. In addition, it covers external information such as those of our business partners and other related parties as well as internal information. Moreover, the Group is working on enhancing employee education and developing necessary regulations, among others, in order to

maintain an environment where each and every employee handles information properly.

Countermeasures against Cyber Attacks

Under the leadership of the CISO, the Group has established the CSIRT*2 to promote information security measures. Specifically, the CSIRT collects information on cyber security from the Group companies in Japan and overseas, and develops security measures for the Group based on the information obtained. The CSIRT also promotes initiatives aimed at dealing with the threat of cyber attacks in cooperation with other organizations in the same and other industries. The goal of the CSIRT is to contribute to improving security not only within the Company, but throughout society.

*1 Chief Information Security Officer
*2 Computer Security Incident Response Team. An organization that deals with computer security in an enterprise or the like.

Message from the CFO

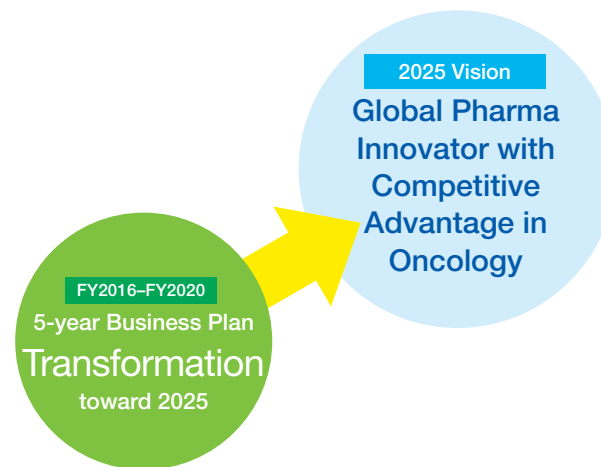
I would like to begin by thanking all of our stakeholders for the ongoing support to Daiichi Sankyo. Along with the progress of our 5-year business plan, I would like to introduce specific initiatives to improve the corporate value as CFO.



Toshiaki Sai
Representative Director, Member of the Board, Executive Vice President and CFO

Progress of 5-year Business Plan

Under the 2025 Vision of becoming a “Global Pharma Innovator with competitive advantage in oncology,” which was established in March 2016, we are committed to sustainable growth focusing on six strategic targets, in line with the current 5-year business plan.



As for the “Establish oncology business” target, for which the most remarkable progress has been noted, we have made significant advancement in the development of 3 antibody drug conjugates (“ADCs”), *DS-8201*, *DS-1062*, and *U3-1402*, with excellent clinical data. Accordingly, we are expediting our efforts to maximize the value of these 3 ADCs.

DS-8201 (generic name: *trastuzumab deruxtecan*), a cornerstone of our future oncology business, was launched under the brand name of *ENHERTU* in the U.S. and Japan in 2020. The drug is indicated for the 3rd-line treatment of HER2 positive breast cancer. Through the strategic collaboration (co-development/co-commercialization) agreed with AstraZeneca in March 2019 in order to maximize the value of *ENHERTU*, we are focusing on accelerating market penetration and expanding indications.

In July 2020, we also formed a strategic collaboration with AstraZeneca for *DS-1062*. We are maximizing the value of *DS-1062* by accelerating clinical trials mainly focusing on lung cancer. At the same time, we are focusing our efforts to expand the oncology business by optimizing resource allocation to our pipeline with growing potential, including *U3-1402* and other following ADCs.

Overview of *DS-1062* strategic collaboration

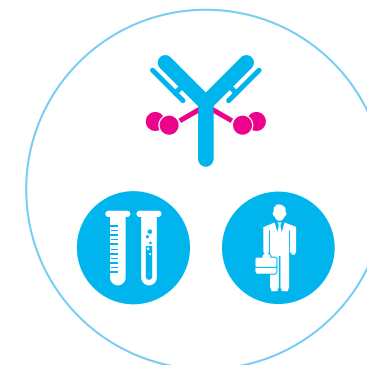
Our collaborator

AstraZeneca
(head office located in Cambridge, UK)



Framework of collaboration

Co-development and co-commercialization for *DS-1062*



Development

- ▶ Co-development of *DS-1062* as monotherapy/combination therapy
- ▶ Equally share development costs
- ▶ Combination study with other companies' products possible



Commercialization

- ▶ **Global (excluding Japan):**
Both companies will co-commercialize and share profits
- ▶ **Japan:**
Daiichi Sankyo will solely commercialize and pay royalty to AstraZeneca



Sales booking by region

- **Daiichi Sankyo:**
Japan, U.S., certain countries in Europe, and other certain markets where Daiichi Sankyo has subsidiaries
- **AstraZeneca:**
China, Australia, Canada, Russia, and certain countries in other regions

Manufacturing

- ▶ Daiichi Sankyo will manufacture *DS-1062*



Financial terms

- ▶ Up to \$6.0 billion (¥660.0 billion)
(\$1=¥110, the same applies hereinafter)
- Upfront payment \$1.0 billion (¥110.0 billion)
- Regulatory milestones (Maximum): \$1.0 billion (¥110.0 billion)
- Sales-related milestones (Maximum): \$4.0 billion (¥440.0 billion)



Six strategic targets: summary of achievements and progress during the 5-year business plan period

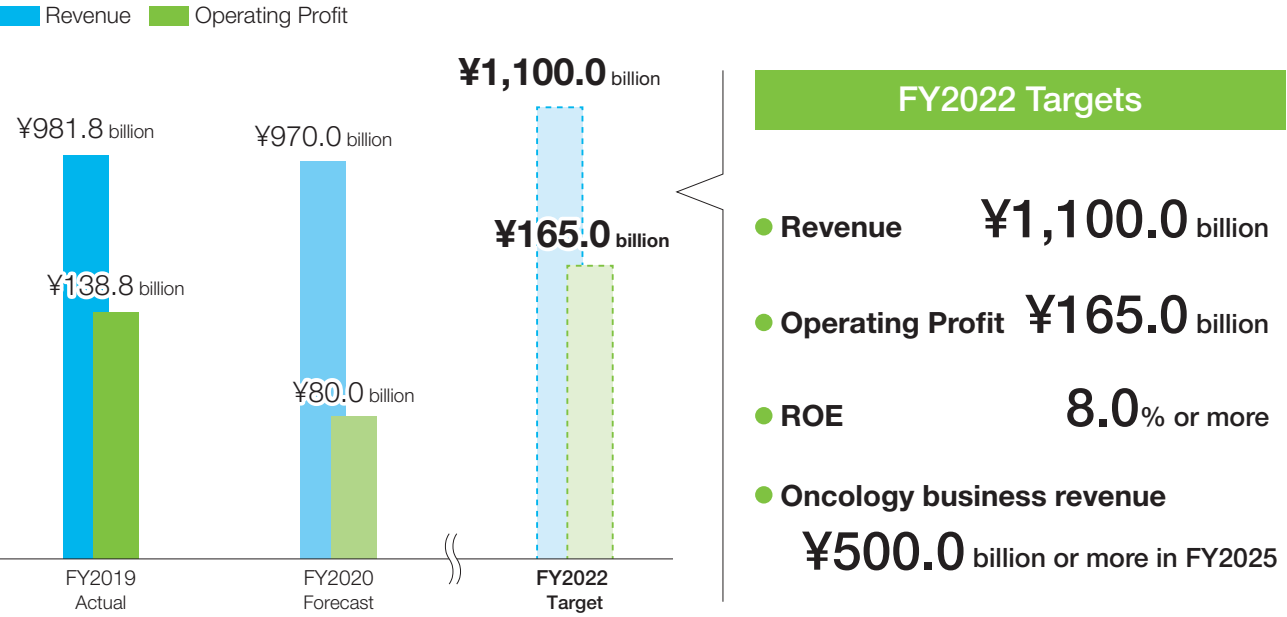
Establish oncology business	Expand U.S. businesses	Grow as the number one company in Japan
<ul style="list-style-type: none"> • Launched <i>DS-8201</i> in the U.S. and Japan. Acquired positive clinical data for <i>DS-8201</i> additional indications • Acquired positive clinical data for <i>DS-1062</i> and <i>U3-1402</i> • Formed strategic collaborations with AstraZeneca for <i>DS-8201</i> and <i>DS-1062</i> 	<ul style="list-style-type: none"> • Launched <i>ENHERTU</i> (January 2020) • Implemented exit strategy for the pain franchise of Daiichi Sankyo, Inc. • Steady expansion of American Regent business (FY2019 revenue: ¥130.8 billion) 	<ul style="list-style-type: none"> • Number one company in Japan in terms of revenue for four consecutive years • Continuously launched in-house products (<i>Tarlige</i> and <i>Minnebro</i>) • Acquired and achieved sales growth of new products (<i>Vimpat</i>, <i>Canalia</i>)
Grow <i>edoxaban</i>	Continuously generate innovative new products changing standard of care (SOC*)	Enhance profit generation capabilities
<ul style="list-style-type: none"> • Expanded global revenue (FY2019 revenue: ¥154.0 billion) • Launched orally disintegrating (OD) tablets in Japan and achieved number one market share • Significantly expanded market share in multiple countries within Europe and Asia 	<ul style="list-style-type: none"> • Obtained approval for the pain treatment <i>mirogabalin</i> (brand name: <i>Tarlige</i>) in Japan • Obtained approval for the tenosynovial giant cell tumor treatment <i>pexidartinib</i> (brand name: <i>Turalio</i>) in the U.S. • Progress in drug discovery using wide range of modalities (nucleic acid, cell therapy, gene therapy, etc.) 	<ul style="list-style-type: none"> • Optimized global manufacturing/R&D structures (two locations divested and five closed) • Optimized commercial structures in the U.S. and EU • Divested non-core assets (properties and long-listed products)

* SOC (Standard of Care): Universally applied best treatment practice in today's medical science

Financial Targets

In October 2019, we revised our financial targets to reflect changes in the business environment since the establishment of the current 5-year business plan. We have set the goal of achieving revenue of ¥1,100.0 billion, operating profit of ¥165.0 billion, and ROE of 8% or more in FY2022. Through investment in the oncology business, we aim to achieve an oncology business revenue of ¥500.0 billion or more in FY2025.

We are currently reviewing the targets that take into account the strategic collaboration with AstraZeneca for DS-1062, which was agreed in July 2020. We will discuss with AstraZeneca on the details of the development and commercial plans, and will revise resource allocation for the other development projects such as U3-1402, and disclose the updated financial targets in the next 5-year business plan.



Shareholder Return Policy

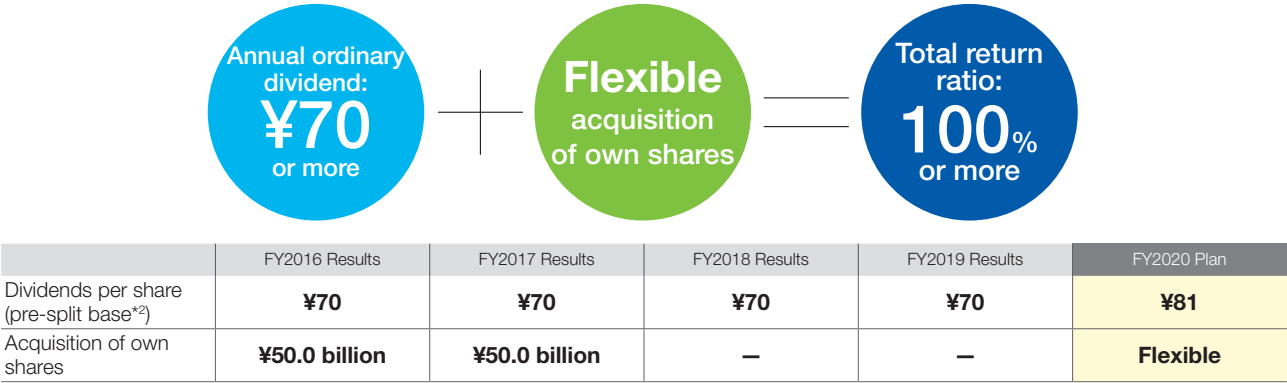
We set total return ratio*1 of 100% or more, and annual ordinary dividend payments of ¥70 per share or more (pre-split base*2), as our shareholder return policy cumulatively for FY2016 through FY2022. We intend to pay stable dividends while flexibly acquiring own stock.

In FY2020, we plan to pay annual ordinary dividend per share of ¥81 on a pre-split basis, which is an increase

of ¥11 per share year on year. We will remain committed to enhancing shareholder returns.

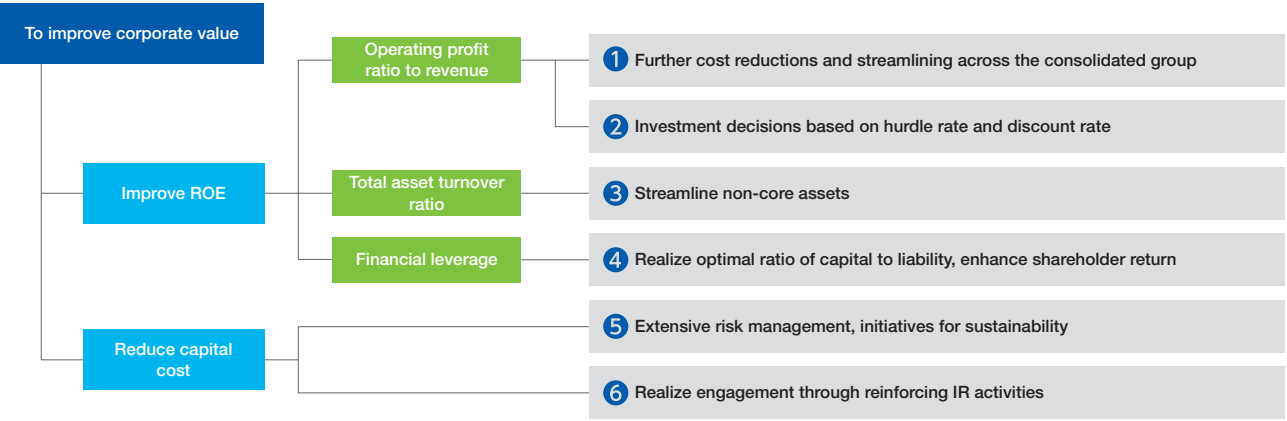
*1 (Total dividends + Total acquisition costs of own shares) / Profit attributable to owners of the Company
*2 Daiichi Sankyo resolved to implement a three-for-one split of its common stock effective October 1, 2020 at the Meeting of the Board of Directors held on April 27, 2020.

Shareholder return policy (cumulative targets for FY2016 through FY2022)



Initiatives for Improving Corporate Value

Hereafter, I will explain our specific ROE improvement and capital cost reduction initiatives as part of our initiatives for improving corporate value, following ① to ⑥ in the figure below.



① Further cost reductions and streamlining across the consolidated group

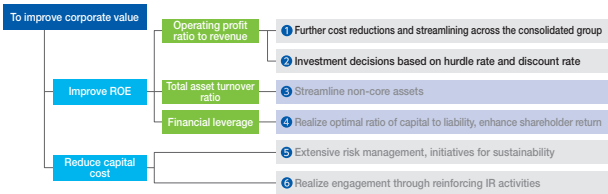
In order to improve the profit ratio, we are seeking to achieve further cost reductions and improve cost-effectiveness across the consolidated Daiichi Sankyo group, in addition to expanding revenue. Major initiatives include enhancement of the procurement function and optimization of operating structures for manufacturing, commercial, and R&D. Concerning the optimization of operating

structures, we have divested or closed three manufacturing sites, and closed four R&D sites in the past four years to FY2019 since the start of the current 5-year business plan. We have also implemented optimization of our commercial organizations in Europe and the U.S. We will accelerate initiatives to enhance profit generation capabilities in the future.

② Investment decisions based on hurdle rate and discount rate

In terms of investment, our focus is to optimize business portfolio by reinforcing financial investment decisions with capital cost in mind and taking synergies into consideration. When making investment decisions for the business or capital expenditure, which has significant impact on future profit, we support such decision based on the future business environment, vision, and strategy by setting the hurdle rate, discount rate and other factors in response to markets and business risks.

We assume our cost of shareholders' equity to be approximately 6% and set the goal for ROE of 8% or more, which is approximately 2% above the cost. Furthermore, we anticipate the WACC, the weighted average of our cost of shareholders' equity and cost of debt, to be 5 to 6%, and we use a hurdle rate of 8% for investment decisions, by adding 2 to 3% to the WACC. In addition, we make investment decisions based on discount rate for each region that takes into account the characteristics of each market.



3 Streamline non-core assets

We create free cash flow that will lead to improvement of corporate value by streamlining non-core assets through optimization in assets, and enhancing our total asset turnover ratio. With regard to assets including properties, we are implementing liquidation of non-core assets at the appropriate timing while considering not only the materiality of the assets for business activities and the alternativeness, but also life-cycle costs (maintenance costs needed to maintain functions subject to deterioration and renovation costs required to improve performance) and business continuity plans (BCPs). We sold properties worth ¥14.0 billion in FY2019 and ¥38.9 billion in total during the current 5-year business plan period.

As a rule, we are aggressively streamlining cross-shareholdings in accordance with our policy of not holding listed stocks, except in

cases where holding such stocks will maintain or strengthen long-term business relationship and contribute to improving our corporate value. We sold 12 stock brands for a total amount of ¥22.0 billion in FY2019, and an aggregated total of 45 stock brands for a total of ¥68.0 billion during the current 5-year business plan period. Going forward, we will work to achieve an appropriate level of capital efficiency.

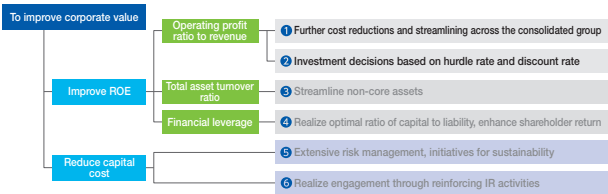
In order to make prioritized investment in oncology area, we sold long-listed products in Japan and the Takatsuki plant for ¥37.1 billion in total in FY2019. The total amount of the assets sold during the current 5-year business plan period was ¥49.0 billion. Going forward, we will continue to review our business portfolio to streamline our assets.

		(Billions of yen)				
		FY2016 Results	FY2017 Results	FY2018 Results	FY2019 Results	Total
Sale of properties	Sales proceeds	3.1	10.7	11.0	14.0	38.9
	Gain on sales	0.7	7.6	9.0	10.7	28.0
Reduce cross-shareholding shares	Sales proceeds	17.3	14.4	14.3	22.0	68.0
	(Number of stock brands)	(14 brands)	(9 brands)	(10 brands)	(12 brands)	(45 brands)
	Gain on sales	9.3	9.8	10.6	14.4	44.2
Business divestment	Transaction proceeds	1.5	—	10.4	37.1	49.0
	Gain on sales	0.1	—	6.3	19.1	25.4

4 Realize optimal ratio of capital to liability, enhance shareholder returns

In order to support sufficient investment to develop oncology products including *trastuzumab deruxtecan*, we will work to streamline our assets as well as to maintain our

strong financial base. With the current equity ratio of around 60% as a guide, we will continue to pay stable dividends and acquire own shares flexibly.



5 Extensive risk management, initiatives for sustainability

Extensive risk management and sustainability initiatives are crucial in order to reduce the risk of declining corporate value.

As for extensive risk management, I oversee corporate-wide risk management as the CFO and risk management officer. I operate the risk management system in conjunction with an annual cycle for formulating and implementing business plans. Based on assessment of impact and the likelihood of occurrence, risks with the potential to significantly impact the management of the company are identified through Management Executive Meeting and the Board of Directors meetings. Risk response measures

are enacted as well as modified and revised as necessary.

We are also working to address many issues related to sustainability, with a focus on those identified as materiality issues. We also engage in proactive disclosure of ESG information with the aim of reducing the risk from the viewpoint of investors. We have been selected for major ESG indices including the “DJSI World Index,” in which, we have been selected in the pharmaceutical sector for the first time as a Japanese company and also for three consecutive years.

6 Realize engagement through reinforcing IR activities

Engagement means having conversation with purpose, and we will foster mutual understanding and increase transparency, and thus further improve corporate value through healthy discussions between investors and our management team. In the distribution of IR information, we disclose information in a timely manner while giving consideration to transparency and fairness, and we endeavor to undertake IR activities to allow for narrowing the gap between the corporate value envisioned by people inside and outside of the company. Following the

recent enhancement of our pipeline, we have set up meetings and conference calls aimed at investors after study data presentations at major medical congresses in the U.S. and Europe for better and deeper understanding among investors. In addition, we conduct more than 320 meetings with investors annually, including ten international non-deal roadshows a year (interviews with international investors). As CFO, I myself engage by proactively holding conversations with investors and security analysts, to realize engagement.

In Closing

In light of the strong progress in oncology product development focused on ADCs, as well as the launch of the first global product in oncology, we are making steady progress toward realizing the 2025 Vision.

In the midterm, we place high business priority on maximizing the value of *DS-8201* and *DS-1062* through the strategic collaborations with AstraZeneca, and on increasing the value of pipeline with other following ADCs and product portfolio that will transform the SOC for patients and achieve

sustainable growth. We will disclose the next 5-year business plan covering the period from FY2021 through FY2025 incorporating the above information in March or April of 2021.

Going forward, I will continue to improve corporate value by enhancing shareholder return while paying attention to the balance between investment and profitability. I appreciate your continued support.