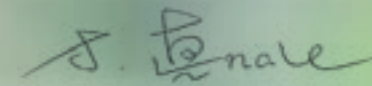


Message from the CEO

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.

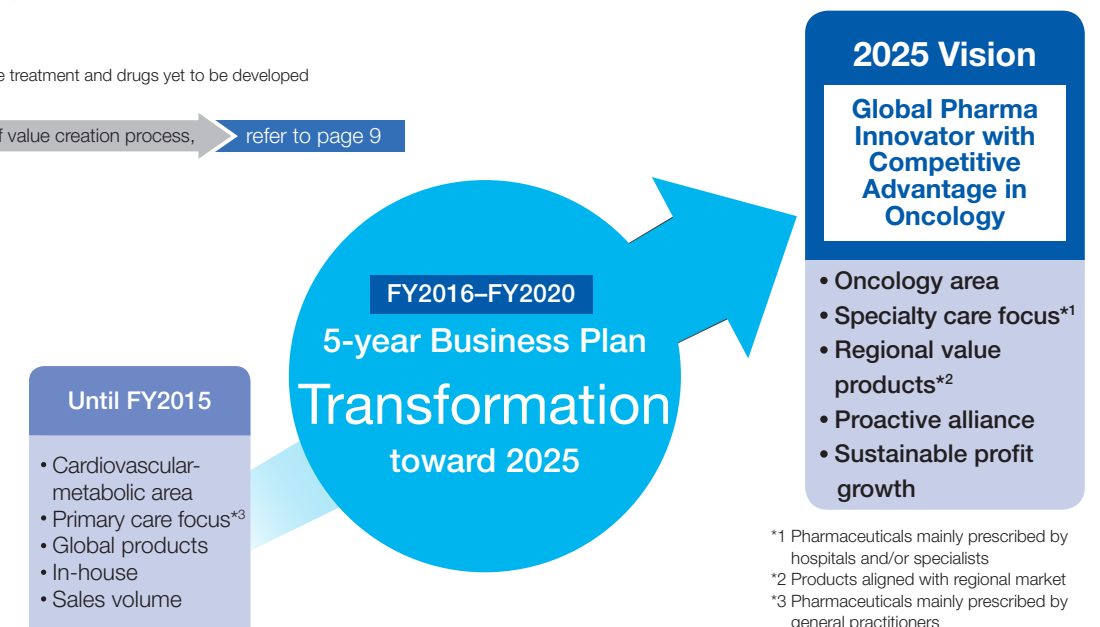
* Medical needs for effective treatment and drugs yet to be developed

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.



*1 Pharmaceuticals mainly prescribed by hospitals and/or specialists
*2 Products aligned with regional market
*3 Pharmaceuticals mainly prescribed by general practitioners

Message from the CEO

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.

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

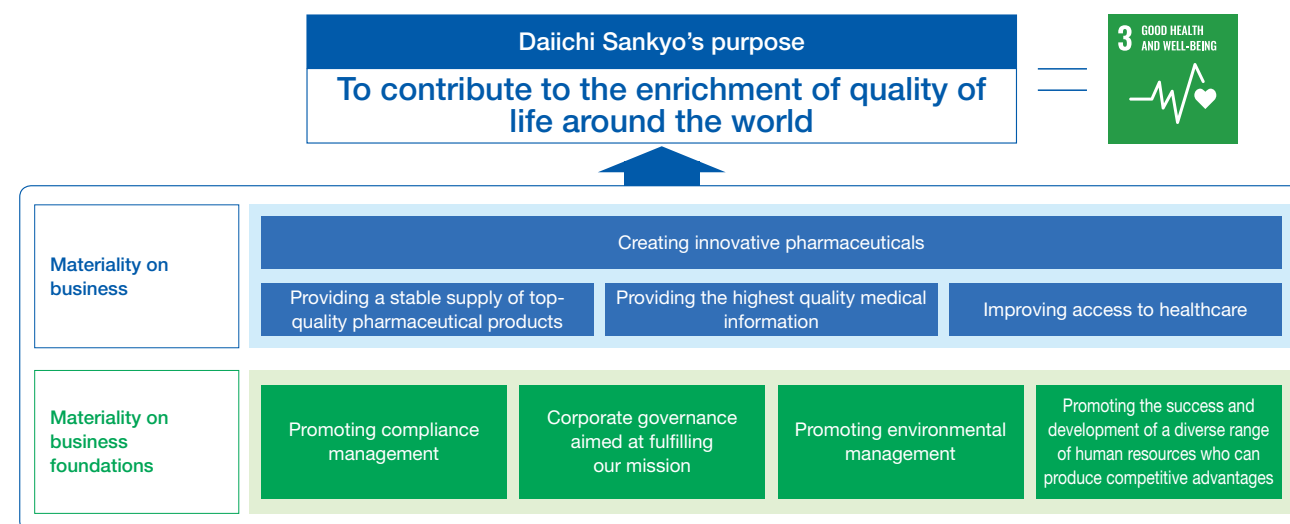
Risk Management

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.

