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

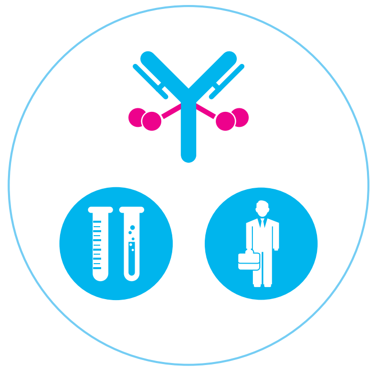
Our collaborator

AstraZeneca
(head office located in Cambridge, UK)

DAIICHI SANKYO CO., LTD. + AstraZeneca

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

lung cancer / breast cancer / other cancers

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
• Launched *DS-8201* in the U.S. and Japan. Acquired positive clinical data for *DS-8201* additional indications • Acquired positive clinical data for *DS-1062* and *U3-1402* • Formed strategic collaborations with AstraZeneca for *DS-8201* and *DS-1062*	• Launched *ENHERTU* (January 2020) • Implemented exit strategy for the pain franchise of Daiichi Sankyo, Inc. • Steady expansion of American Regent business (FY2019 revenue: ¥130.8 billion)	• Number one company in japan in terms of revenue for four consecutive years • Continuously launched in-house products (*Tarlige* and *Minnebro*) • Acquired and achieved sales growth of new products (*Vimpat*, *Canalia*)

Grow *edoxaban*	Continuously generate innovative new products changing standard of care (SOC*)	Enhance profit generation capabilities
• 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	• Obtained approval for the pain treatment *mirogabalin* (brand name: *Tarlige*) in Japan • Obtained approval for the tenosynovial giant cell tumor treatment *pexidartinib* (brand name: *Turalio*) in the U.S. • Progress in drug discovery using wide range of modalities (nucleic acid, cell therapy, gene therapy, etc.)	• 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

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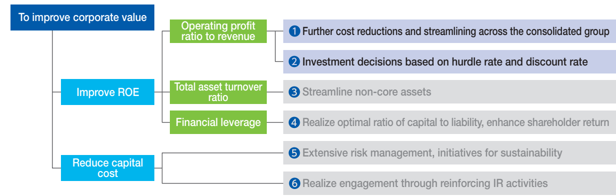
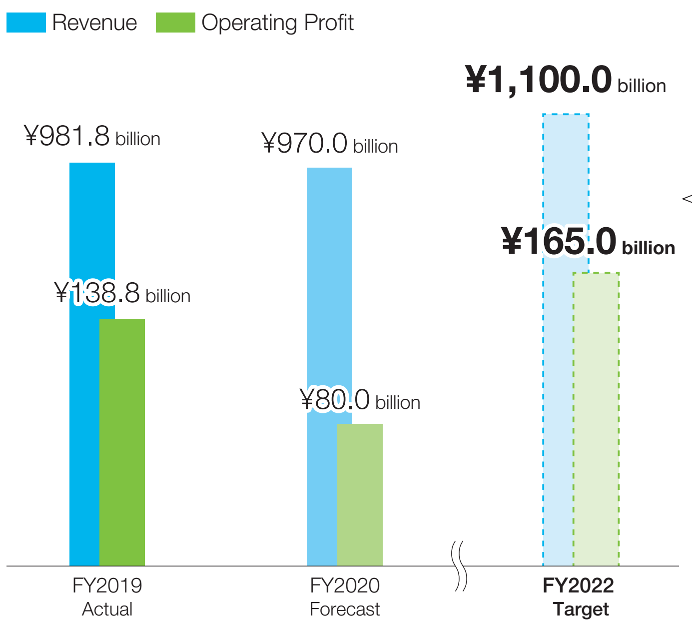


Financial Targets

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.



FY2022 Targets

- **Revenue** ¥1,100.0 billion
- **Operating Profit** ¥165.0 billion
- **ROE** 8.0% or more
- **Oncology business revenue** ¥500.0 billion or more in FY2025

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

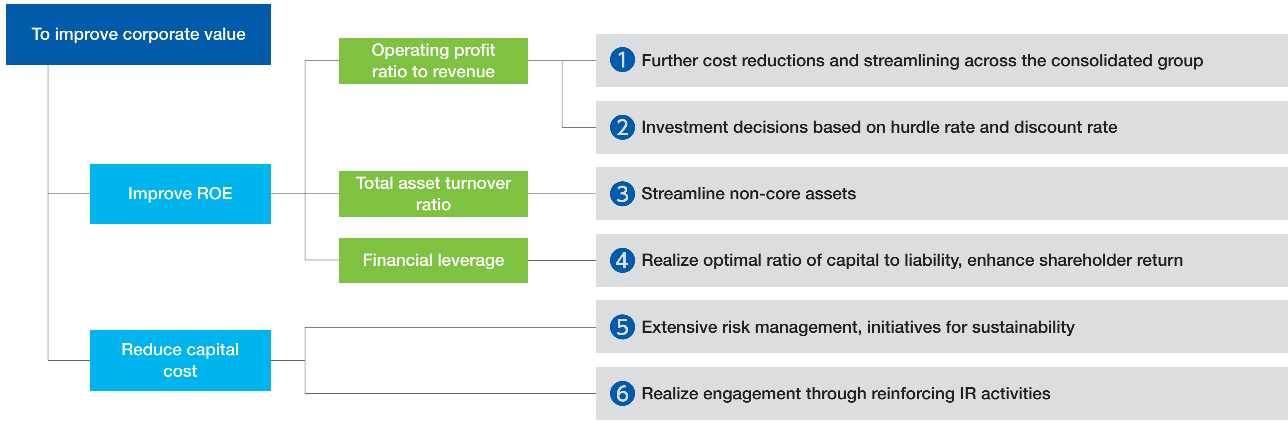
*2 Daiichi Sankyo resolved to implement a three-for-one split of its common stock effective October 1, 2020 at the Meeting of the Board of Directors held on April 27, 2020.

Shareholder return policy (cumulative targets for FY2016 through FY2022)

	FY2016 Results	FY2017 Results	FY2018 Results	FY2019 Results	FY2020 Plan
Dividends per share (pre-split base*2)	¥70	¥70	¥70	¥70	¥81
Acquisition of own shares	¥50.0 billion	¥50.0 billion	—	—	Flexible

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.

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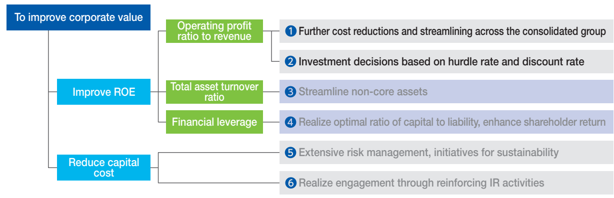

3 Streamline non-core assets

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.