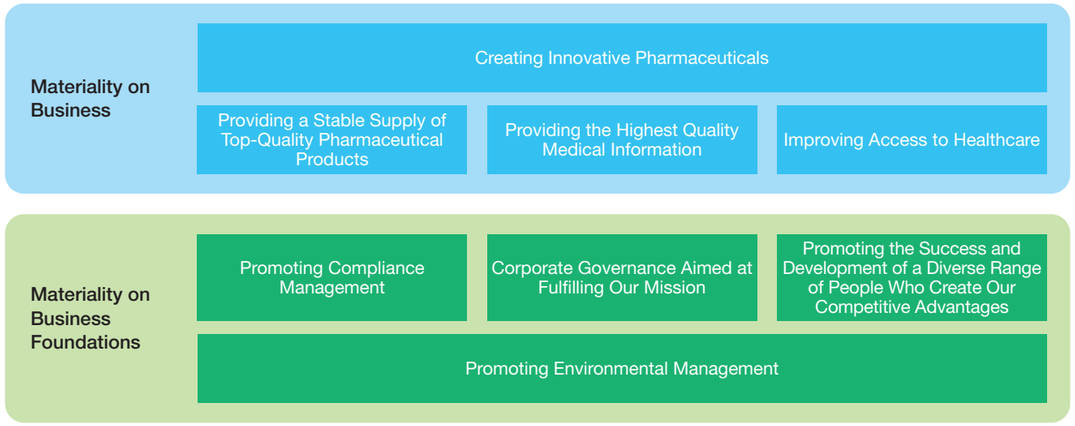
Materiality

The Daiichi Sankyo Group identified eight material issues to be addressed in order to sustain growth in FY2019, considering both importance based on the impact on the Group's mid-to-long-term corporate value enhancement and expectations from society. In FY2020, the Group sets Materiality KPIs based on the material issues sorted into two groups: materiality on business and materiality on business foundations.

▶ Eight Material Issues



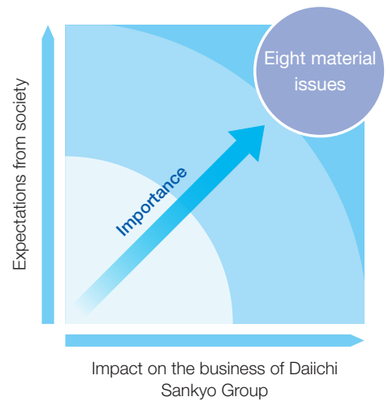
Materiality Identification Process

In identifying and sorting material issues, 36 issues were selected from the CSR perspective in FY2015. Following the creation and integration of issues to be addressed, they were narrowed down to 21 in FY2018.

In FY2019, business and governance perspectives were added to the CSR perspective, and mid-to-long-term initiatives and challenges were selected in light of their importance based on their impact on the Group's mid-to-long-term corporate value and the 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 in March 2020, after two meetings of the Board of Directors. Outside Directors and Outside Audit & Supervisory Board Members pointed out the importance of promoting compliance management as well as promoting environmental management, inspiring a lively exchange of views at the meetings.

STEP1 Address key issues in CSR activities	Extract 36 CSR issues (FY2015) Narrow down issues to 21 (FY2018)
STEP2 From CSR issues to Materiality	Extract mid-to-long-term initiatives and challenges (FY2019) Hold constructive discussion with stakeholders Prepare proposal for material issues
STEP3 Identify Materiality	Identify eight material issues after meetings of the Board of Directors (March 2020)



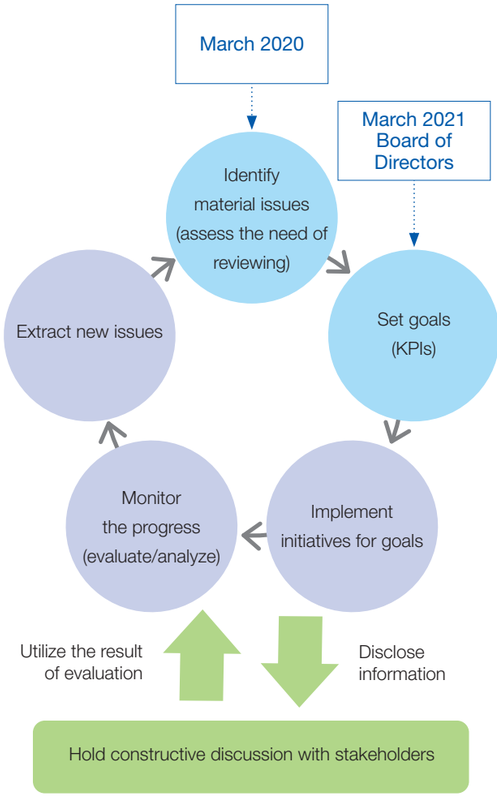
Materiality Management

Following the identification of materiality in March 2020, KPI setting as indicators for initiatives for each material issue was discussed in FY2020. The KPIs were approved at the meeting of the Board of Directors in March 2021 after several discussions among the members of the Board of Directors in addition to discussions at the Management Committee. In conjunction with the current 5-year business plan disclosed in April 2021, we announced the long-term targets for each material issue and the challenges in resolving material issues along with the KPIs.

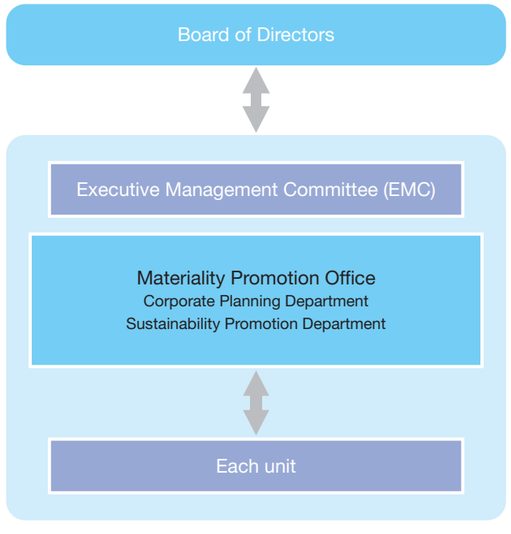
In addition to discussions for setting KPIs, the need to add new material issues or make a change to existing material issues was also discussed among the members of the Board of Directors in light of factors including the impact of COVID-19 on society.

Leading up to the achievement of the long-term targets for each material issue, we will monitor and manage the progress of our activities by utilizing KPIs, as well as strengthen our initiatives through constructive discussions with internal and external stakeholders.

We will promote materiality management, assigning the Corporate Planning Department and the Sustainability Promotion Department to serve as the administrative office and work closely with each unit.



▶ Materiality Management Structure

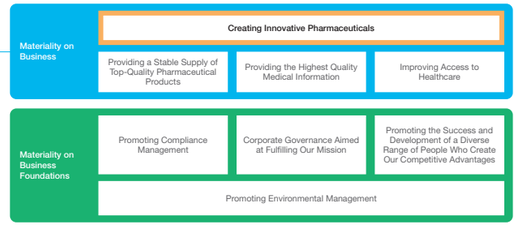


Now that the KPIs are set, we will check the progress of our activities using the KPIs and extract new issues for Materiality on business and Materiality on business foundations respectively, which will be reported or discussed at the Executive Management Committee (EMC*), followed by reporting or discussion at the Board of Directors meetings. In conjunction with the above, we will review material issues, assessing the need to add new issues or make a change to the existing issues.

* Executive Management Committee: renamed in FY2021

Materiality on Business

Creating Innovative Pharmaceuticals



Among the four material issues on business, “creating innovative pharmaceuticals” is the basis of our value creation and our top issue. Realization of “providing a stable supply of top-quality pharmaceutical products” and “providing the highest quality medical information” will lead to “improving access to healthcare”, resolution of unmet medical needs, and our purpose will be realized.

		Contribution to SDGs
Reason for selection	Contributing to the enrichment of quality of life around the world is our Purpose, and continuously creating innovative pharmaceutical products by leveraging our strength (Science & Technology) is the foundation of our value creation. We will continuously deliver pharmaceuticals that meet healthcare needs to the healthcare fields through a cycle of reinvesting the profits generated from our pharmaceutical business in research and development and generating new medicines. In the mid-term, we will enhance our advanced products and pipeline to transform the SOC* with the goal of becoming an advanced global pharma innovator with strength in oncology in FY2025.	
Long-term target	Create innovative pharmaceuticals continuously, utilizing our strength (science & technology)	3 GOOD HEALTH AND WELL-BEING
Challenges for realizing materiality (toward FY2025 targets)	• Creating the advanced products and pipeline to transform the SOC in the oncology field • Development of innovative medicines and preventive medicines with new modalities	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE
KPIs	❶ The number of new launches and new indication approvals for 3ADCs ❷ Progress in ADCs which is in early development stage/other Alpha projects ❸ Progress in development of post DXd-ADC projects	
FY2025 targets	❶ 3ADCs: 8 additional indications ❷ Multiple products to become the new growth driver after 3ADCs are in late development stage or more advanced stage. ❸ Post DXd-ADC modality is in development stage	17 PARTNERSHIPS FOR THE GOALS
FY2020 results	❶ *Enhertu*: Third and second line treatment for HER2-positive gastric cancer ❷❸ Refer to the corporate website Please visit here for further information https://www.daiichisankyo.com/rd/pipeline/	
Social value creation	Contribute to the enrichment of quality of life around the world	
Economic value creation	Expand R&D pipeline and acquire intellectual property contributing to future revenue and profit	

* Standard of Care. Universally applied best treatment practice in today’s medical science

3 and Alpha

In research and development, we have adopted “3 and Alpha strategy” in view of our FY2025 target and Beyond 2025. The “3” in 3 and Alpha refers to *Enhertu*, *Dato-DXd*, and *HER3-DXd*, our three pillars in oncology, to which investment and resource allocation are prioritized. Cancer, a disease with a high prevalence and mortality not only in Japan but also in the world, is a critical issue for the lives and health of people. In the field of cancer, a disease from which many people still suffer, we promote activities to deliver therapeutic drugs to patients and healthcare professionals as soon as possible.

In “Alpha”, which is our projects other than the 3ADCs, we also aim to provide innovative pharmaceuticals to patients with cancer or rare diseases without effective treatment or sufficient treatment by using existing therapeutic drugs. It is difficult to elucidate the pathology of rare diseases due to the limited numbers of patients, and treatment options for such diseases are limited. Even in areas where the probability of successful development of therapeutic drugs is unknown, we must keep trying to pursue every possibility. Otherwise, we have to give up potential treatment. We will continue to strive to overcome challenges having faith that our science and technology will guide us.

▶ Launch Plan for 3ADCs

Expand 3ADCs in broader cancer types and indications

5-year Business Plan (FY2021–FY2025)

Breast cancer / Gastric cancer / Non-small cell lung cancer (NSCLC) / Colorectal cancer

Enhertu

DESTINY-Breast03	HER2 positive breast cancer 2L, vs. *T-DM1*
DESTINY-Breast04	HER2 low breast cancer post chemotherapy, vs. physician’s choice
DESTINY-Breast06	HER2 low/HR positive breast cancer chemotherapy naïve, vs. physician’s choice
DESTINY-Gastric04	HER2 positive gastric cancer 2L, vs. SOC
DESTINY-Lung01/02	HER2 mutated NSCLC, HER2 overexpressing NSCLC 2L~/HER2 mutated NSCLC 2L~, 2 doses (5.4, 6.4 mg/kg)
DESTINY-CRC01/02	HER2 expressing colorectal cancer 3L/HER2 expressing colorectal cancer 3L, 2 doses (5.4, 6.4 mg/kg)

Dato-DXd

TROPION-Lung01	NSCLC (without actionable mutation), 2/3L

HER3-DXd

HERTHENA-Lung01	EGFR mutated NSCLC, 3L

A Wide Range of Modalities

There are various types of drug molecules such as, for example, small molecules, antibodies, which are collectively called “modalities.” With advances in science, a variety of modalities has enabled us to approach to drug discovery targets that had been challenging to date, and we have created ADC technology as our unique modality following small molecule drugs.

Projects that can be growth drivers following 3ADCs are expected to be identified from the four areas, DXd-ADC family, second-generation/new concept ADC, modified antibody, and ENA® family.

In addition, we are also conducting research of various modalities and advancing research and development to increase treatment possibilities for unmet medical needs related to cancer, rare diseases, etc.

▶ Growth Drivers Following the 3ADCs

DXd-ADC family
- *DS-7300*: Observed responses
- *DS-6157*: Ph1 on track
- *DS-6000*: Ph1 on track
- *DS-3939*: Preparing for FIH* study
- *DS-xxxx*: Preparing for FIH study

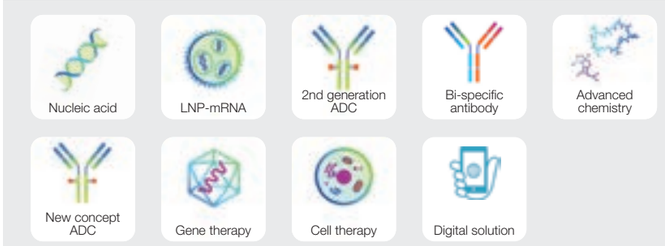
2nd generation/new concept ADC
- 2nd generation ADC, *DS-9696*
  - Preparing for FIH study
- New concept ADC
  - Preparing for FIH study

Modified antibody, etc.
- *DS-1055* (immuno-oncology)
  - Ph1 on track
- *DS-1103* (immuno-oncology)
  - Preparing for FIH (First in Human) study
- Bi-specific antibody
  - Preparing for FIH study

ENA family
- Multiple projects utilizing ENA technology
  - *DS-5141*, *DS-5144*, *DS-5150*, *DS-5151*, *DS-5153*, *DS-4108*, etc.

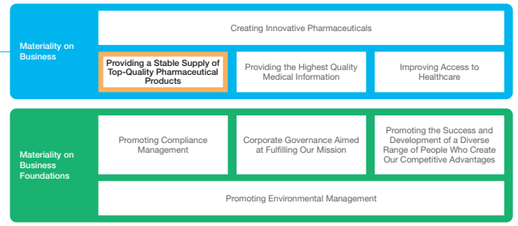
* First in Human Study: clinical study using human subjects for the first time

▶ A Wide Range of Modalities



Materiality on Business

Providing a Stable Supply of Top-Quality Pharmaceutical Products



Pharmaceutical companies have a mission to supply top-quality pharmaceuticals reliably and consistently. To fulfill this role, we have integrated the “function to consistently procure raw materials that users find reliable and systematically manufacture products” and the “logistics function to distribute products rapidly and reliably after receiving orders”. This integration facilitates the centralizing management of information, enabling a flexible and efficient manufacturing and supply system (supply chain management).

We also have established a system to guarantee the quality of our products in adherence with GMP (Good Manufacturing Practice) in Japan as well as GMP in other countries, including European countries and the United States, to ensure product quality by a scientifically backed method of managing all processes, from receiving raw materials to manufacturing and shipping products, and to fulfill our role for the market.

		Contribution to SDGs
Reason for selection	As the impact of natural disasters and political risks on the global supply chain is expanding, procurement risks at our business partners need to be considered. Establishing a robust supply chain structure and providing a stable supply of top-quality pharmaceutical products is one of the most important challenges for us. In the mid-term, in order to respond to the increase of new modality products, particularly ADCs, we realize the establishment of a global production and supply system by implementing appropriate capital investments.	
Long-term target	Establish a robust global supply chain system to provide a stable supply of top-quality pharmaceuticals.	
Challenges for realizing materiality (toward FY2025 targets)	Establishment of a global production and supply system through appropriate capital investment corresponding to the increase of new modality products including ADCs.	
KPIs	Construction of ADC production system and stable supply of top-quality pharmaceuticals to patients (including capital expenditure)	
FY2025 targets	In-house capital investment and CMO investment: Maximum 300 billion yen (Total capital investment from FY2021 to FY2025: Approximately 500 billion yen)	
FY2020 results	• Continuously making capital investment to increase/streamline production facilities and strengthen/improve the efficiency of research and development. The total capital expenditure in FY2020 was 40.1 billion yen. • Updated our business continuity plan (BCP) in line with functions and regional characteristics	
Social value creation	Contribute to the enrichment of quality of life around the world	
Economic value creation	Increase revenue and profit, reduce/prevent the risk of declining corporate value	

Promote Reliable and Stable Supply Amid the Spread of COVID-19

We have set up an emergency headquarters headed by the CEO and made efforts to strike a balance between preventive measures against infection and business continuity in light of the status of the spread of COVID-19 in Japan and other countries and the views of the government and the Novel Coronavirus Expert Meeting.

We cannot cease manufacturing if we are to continue to provide a stable supply of pharmaceutical products, which is our responsibility as a healthcare company. We established a task force in our supply chain and made efforts to achieve stable supply by continuing the operation of plants under thorough infection prevention measures and securing raw materials for drug substances and intermediates.

Preventive measures against COVID-19 have been put in place in each plant, and each and every employee engages in daily manufacturing activities by paying a high level of attention to their own health and actions.

Response of the Supply Chain Division toward an Increase in Demand for 3ADCs

To maximize the supply of the 3ADCs, which is the key for us to continue to transform into the oncology area, we carried forward capital investment in our in-house plants.

An ADC consists of (1) an antibody, (2) a drug linker which connects the antibody and the drug, and (3) drug (payload), and its manufacturing process consists of the following four processes: (1) cell culturing process (biotechnology) to manufacture antibodies, (2) synthetic process to link the drug to the linker, (3) conjugation process to link the antibody to the drug linker, and (4) formulation process to freeze-dry the conjugate to make it into a product.

To ensure future stable supply, we not only strengthen our own manufacturing capacity but also take measures such as acquiring production lines of CMOs (Contract Manufacturing Organizations).


Tatebayashi Plant


Onahama Plant


Hiratsuka Plant

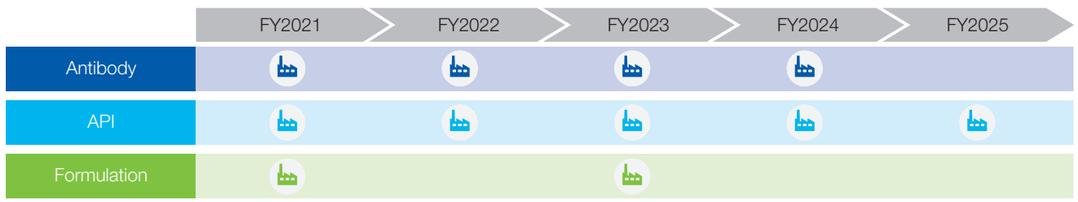
Establish a Global CMO Management System for a Stable Supply of ADCs

We have established and strengthened the foundation of quality assurance and stable supply of ADCs by shifting the CMO management system from a conventional Japan-centered one to a global one, which is based on cooperation with group companies outside of Japan, in order to effectively manage numerous change strategies, such as increase of CMOs and manufacturing scale-up, toward an expansion of demand for ADCs.

We will also contribute to the stable supply globally by collaborating with concerned parties for efficient, effective, and comprehensive response to regulatory requirements in each country for change control management. Furthermore, we are promoting to introduce an IT system (eQMS) to establish a more robust global quality assurance system.

Investment Plan to Strengthen Our ADC Manufacturing System

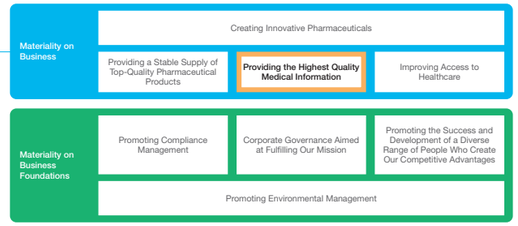
In consideration of the market launch plan for 3ADCs and the progression of development of DXd-ADC following 3ADCs, we will make a capital investment of up to 300 billion yen to expand supply capacity for ADCs by FY2025. In this plan, we will strengthen the global manufacturing and supply system with resilience that enables stable supply even in case of an emergency such as natural disaster or pandemic.



* indicates the timing of investment.

Materiality on Business

Providing the Highest Quality Medical Information



In the pharmaceutical industry in Japan, there have been issues of research misconduct related to clinical research and exaggerated advertising of pharmaceutical products since the late 2000s. We separated the medical affairs division, which is the information-generating function, from the sales division to ensure reliability, transparency, and objectivity.

All drugs, no matter how excellent they are, have a risk of causing adverse reactions. In the process of expanding our business into the field of anti-cancer drugs, we will further strengthen our safety information management system. We objectively analyze safety information in Japan and overseas, provide information to healthcare professionals to promote the proper use of pharmaceutical products, and minimize the safety risk of patients.

Reason for selection	Pharmaceutical products can be used by healthcare professionals for the treatment of patients with confidence only when highly reliable safety and efficacy information are available, thereby overcoming healthcare challenges (and social challenges through it). As we provide many products in various fields, we provide safety and efficacy information. In the mid-term, we will generate new drug information in the oncology area, where information provision tailored to each patient's condition is required, and provide it to healthcare professionals globally.
Long-term target	Provide safety and efficacy information so that healthcare professionals can always use our products for the treatment of patients with confidence
Challenges for realizing materiality (toward FY2025 targets)	Provision of highly useful pharmaceutical information in areas with high expertise/individuality
KPIs	Evaluation of our approach to information provision from stakeholders including healthcare professionals
FY2025 targets	Improvement of evaluation scores
FY2020 results	—
Social value creation	Contribute to the enrichment of quality of life around the world
Economic value creation	Increase revenue and profit, reduce/prevent the risk of declining corporate value

Contribution to SDGs

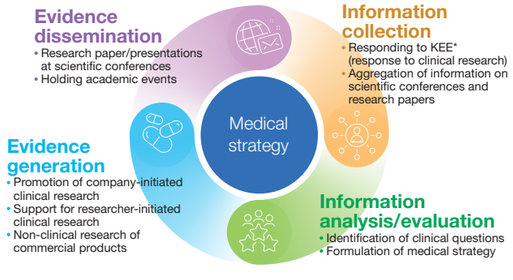
To Generate Highly Useful Medical Information

The Medical Affairs Division in Japan collects, analyzes, and evaluates information related to pharmaceutical products and generates and disseminates evidence to contribute to the treatment and maximize the value of our products. Specifically, we collect information on unmet medical needs and analyze and evaluate the collected information. We identify clinical questions existing in the real clinical setting through collecting, analyzing and evaluating the information on unmet medical needs and develop medical strategies to solve them. We perform clinical research activities based on the medical strategies and disseminate new evidence. Repeating this cycle of information collection, analysis and evaluation; and evidence generation and dissemination leads to improved value of the products.

* Questions related to drug usage from patients or healthcare professionals

Value creation scheme at medical affairs

Medical strategy: Strategy to identify clinical questions and execute "information generation/dissemination activities" to respond to such clinical questions to enhance the value of our products and establish/strengthen our presence



* Key External Experts

Evidence Generation and Dissemination in Oncology Fields with High Expertise and Individuality

In order to enhance the capabilities to generate and disseminate evidence for *Enhertu* and other oncology products on a global scale, we will strengthen our functions global and Japan locally and engage in a range of medical activities.

In collaboration with AstraZeneca, we have promoted activities in line with a global medical strategy to generate and disseminate evidence on breast and other cancers after the launch of *Enhertu*. Medical affairs is also in charge of publication strategy as part of information dissemination activities and effectively disseminates evidence through presentations at scientific conferences and publication of research papers. As the oncology medical practice continues to advance at a fast-moving pace, it is essential to collect information on treatments and competitive products. We are conducting several activities to contribute to maximizing the medical value of products from an early stage of research and development by enhancing these functions to collect, analyze, and evaluate information, as well as by strengthening cooperation with related functions.

To help maximize the value of DXd-ADC pipelines and other products as a pharmaceutical company with competitive advantage in oncology, we develop cancer type-based medical strategies in addition to product-based medical strategies, and carry out relevant activities. In addition, we enhance the functions of medical science liaison (MSL)*1, real world evidence (RWE)*2, and companion diagnostics/biomarkers. Cooperating with related functions, we complement "Fast to Market strategies" (meaning strategies to obtain approval and launch a product in the shortest period of time) from a scientific and medical perspective. Through patient advocacy activities (such as support for patient groups) mainly outside Japan and the publication of patient-friendly manuscripts, we will also strengthen patient-centric information collection and evidence dissemination.

*1 Conduct medical and scientific communication with external medical experts based on the latest scientific knowledge in the related disease area
*2 Evidence from analysis of actual clinical data

Provision of Safety Information through ILD Management

Pharmacovigilance at Daiichi Sankyo

CSPV : Clinical Safety & Pharmacovigilance

Function responsible for safety information management and safety measures throughout the entire life cycle of products

The principle of PV in R&D based pharmaceutical companies starts with first in human (FIH) study.

The Clinical Safety & Pharmacovigilance Unit, which is responsible for pharmacovigilance (PV) of the entire group, evaluates reported adverse events from clinical trials to post-marketing period, and develops and implements safety measures based on the evaluation results.

For *Enhertu*, we identified Interstitial Lung Disease (ILD) as an "important identified risk", and we continue to implement safety measures by developing guidelines for the management of ILD and the guide for physicians and patients participating in clinical trials for ILD education. After launching in several countries where *Enhertu* has already been approved including the United States and Japan, we have collected and evaluated patient information of ILD development, and have continued to provide related information to promote proper use to healthcare professionals, so that the risk of progression to severe disease would be reduced by early identification and intervention for ILD,

Development of a Clinical Study Data/Adverse Drug Reaction Search Tool (Safety Lake)

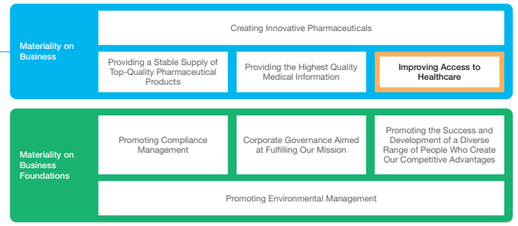
With the launch of *Enhertu*, we are required to provide safety information with higher expertise/individuality. The information includes not only post-marketing data but also clinical study data. Traditionally, information provision took time, because safety management division staff responded to inquiries from healthcare professionals sent via MRs by searching through an enormous amount of clinical study information.

In order to provide healthcare professionals with best safety information for patients faster, we developed a clinical study data/adverse drug reaction search tool (Safety Lake) utilizing an integrated data analysis platform and BI* tool and introduced it to *Enhertu*. Safety Lake enables more exhaustive search than before and faster information provision.

*Business intelligence tool: a tool to support decision making and business operation through data analysis and its visualization

Materiality on Business

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.

We established the Daiichi Sankyo Group Policy on Access to Healthcare, and work on addressing the challenge of access to healthcare over the entire value chain of research & development, manufacturing, marketing & sales, and safety management around the three pillars of “Research & Development,” “Availability,” and “Capacity Building.”

Reason for selection	Strive to improve access to healthcare by promoting the Daiichi Sankyo Group Policy on Access to Healthcare to employees, and seeking cooperation with the stakeholders including the government, payers and alliance partners. In the mid-term, we will globally deploy oncology products through collaboration with AstraZeneca. We will also contribute to solving social challenges, such as tackling COVID-19, through the utilization of our business foundations and cooperation with external institutions.
Long-term target	Contribute to improving access to healthcare, working with stakeholders such as the government, payers and alliance partners
Challenges for realizing materiality (toward FY2025 targets)	• Global expansion of oncology products by utilizing collaboration with AstraZeneca, etc. • Response to new risks such as COVID-19 through collaboration with external institutions by utilizing our strengths and assets.
KPIs	❶ The number of countries where oncology products are sold and the number of patients to which oncology products are provided through collaboration with partners, etc. ❷ Status of contribution to mitigating new risks through collaboration with the regulatory authorities and other companies, etc.
FY2025 targets	❶ Increase in the number of launched countries ❷-1 Achievement of supply of COVID-19 vaccine (*AZD-1222*) of AstraZeneca as planned (FY2021)) ❷-2 Progress in development of *DS-5670* as planned
FY2020 results	❶ United States, Japan, and Europe (cumulative total until FY2020) ❷-1 Manufactured *AZD-1222* in Japan ❷-2 The *DS-5670* project was selected for the “Emergent Initiative to Build Production Capacity for COVID-19 Vaccines” of the Ministry of Health, Labour and Welfare (MHLW) and AMED’s vaccine development program (company-initiated)
Social value creation	Contribute to the enrichment of quality of life around the world
Economic value creation	Increase revenue and profit, reduce/prevent the risk of declining corporate value

Contribution to SDGs

▶ The Policy on Access to Healthcare and Examples of Initiatives

Three pillars of the Policy on Access to Healthcare	Examples of Initiatives
Research & Development	• Creating innovative pharmaceuticals • Promote research and development in the field of infectious diseases and measures against Antimicrobial Resistance (AMR) • Participation in Global Health Innovative Technology Fund “GHIT Fund”
Availability	• Patient assistance programs in our group company in the United States
Capacity Building	• Capacity building for cancer treatment and initiatives to cultivate healthcare workers in low- and medium-income countries

Improving Access to Healthcare through Alliances

Acceleration of development and commercialization

Among the 3ADCs, we have been promoting a strategic collaboration for joint development and commercialization with AstraZeneca for *Enhertu* from March 2019 and *Dato-DXd* from July 2020.

▶ Acceleration of development and commercialization of *Enhertu*

Early market penetration	Acceleration and expansion of development
Cancer types and indications currently under development	Cancer types and indications to be developed in the future
▶ Acceleration of market penetration in Europe and the United States ▶ Early launch in regions other than Japan, the United States, and Europe	▶ Advancement of development plan ▶ Further expansion of cancer types and indications

Acceleration of establishment of our oncology business infrastructure

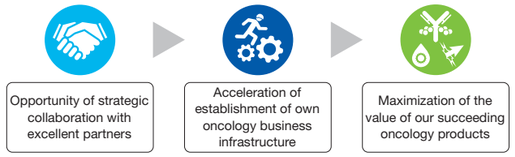
We have been jointly developing strategies with AstraZeneca, which has extensive experience and resources in oncology globally, and putting the strategies into action by sharing roles. This will further accelerate the establishment of our oncology business infrastructure.

Expansion of resource allocation to other ADC projects

As we have other ADCs following the two drugs and other cancer projects, we aim to contribute to patients by obtaining early approval for these products.

AstraZeneca’s oncology business reaches over 70 countries. We will realize early market penetration through collaboration with AstraZeneca, which has excellent market access based on a relationship of trust with payers and oncology specialists and extensive know-how in medical affairs, etc.

AstraZeneca has also developed many innovative therapeutic agents for cancer treatment and has extensive development experience in regions other than Japan, Europe, and the United States. Therefore, the contribution to the improvement of access to healthcare by obtaining early approval for two drugs in respective countries is expected.



Development of COVID-19 Vaccine

Aiming to prevent COVID-19, we participated in the “Fundamental Research on the Control of Novel Coronavirus (2019-nCoV)”*1 supported by the Japan Agency for Medical Research and Development (AMED) and promoted the “Development of mRNA vaccine against novel coronavirus (2019-nCoV)” using the novel nucleic acid delivery technology*2 developed by ourself.

We positioned the development of this mRNA vaccine as one of our top priority projects and started the clinical study in March 2021 with the support of “Development of Vaccines for COVID-19” (2nd) (company-initiated)*3 of AMED. Furthermore, with support from the “Emergent Initiative to Build Production Capacity for COVID-19 Vaccines (First Round),” we are establishing a production platform to start early provision of COVID-19 vaccines made in Japan by utilizing facilities of the “Pandemic Influenza Vaccine Development and Production System Development Project” of MHLW.

*1 One of the vaccine development initiatives that AMED decided to support as part of the government’s emergency initiatives against the global spread of COVID-19.
*2 It is confirmed to induce more optimal immune response than existing vaccine technologies by stabilization of active pharmaceutical ingredients and efficient delivery.
*3 A project to provide intensive support to companies’ ongoing development of COVID-19 vaccines with the aim of achieving the practical use of such vaccines.

Provision of COVID-19 Vaccines to Countries in Southeast Asia

Daiichi Sankyo Biotech has engaged in manufacturing (including vial filling and packaging) the COVID-19 vaccine “Vaxzevria™ intramuscular injection” developed by AstraZeneca. The vaccines were provided to countries in Southeast Asia through the Japanese government and various countries and regions through COVAX Facility*, etc.

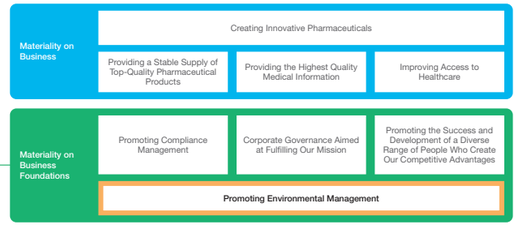
In addition, the vaccination has begun in Japan.

* An international scheme led by the Gavi Vaccine Alliance, the Coalition for Epidemic Preparedness and Innovation (CEPI), and WHO to jointly purchase vaccines and distribute them to developing countries.

For initiatives for infectious diseases and capacity building, refer to page 69

Materiality on Business Foundations

Promoting Environmental Management



As a healthcare company with the purpose, "to contribute to the enrichment of quality of life around the world," the Daiichi Sankyo Group sees global environmental conservation, which is the basis of life and livelihood, as a key management issue.

Reason for selection	The impact of environmental issues on sustainability, such as the intensifying natural disasters associated with the progression of global warming and marine plastics pollution, has become apparent. Environmental protection is a challenge that requires the concerted efforts of the world, including companies. We recognize that changes in the disease structure and concerns about the stable supply of medicines are risk factors for our long-term business due to environmental impacts. We, as a responsible member of society, will work integrally in our business activities and environmental initiatives for a sustainable society, reducing the environmental impact of our products and operations.
Long-term target	As a healthcare company, we will proactively reduce the environmental impacts of our business operations and seek to implement advanced climate change countermeasures.
Challenges for realizing materiality (toward FY2025 targets)	• Reduction of the environmental impact of the entire supply chain • Proactive introduction and use of renewable energy • Use and implementation of decarbonization technologies, such as hydrogen application • Expansion of the scope of use for plastics removal, and technological development • Minimization of environmental risks such as pollution risks
KPIs	❶ CO_2 emissions (Scope1 + Scope2)* ❷ CO_2 emissions intensity based on sales (Scope3, Cat1)* ❸ Renewable electricity utilization rate ❹ Waste plastic recycling rate ❺ Disposal of hazardous waste
FY2025 targets	❶ 25% reduction from FY2015 ❷ 15% reduction from FY2020 ❸ More than 30% utilization rate ❹ Over 70% maintained ❺ 10% reduction from FY2020
FY2020 results	❶ 19.4% ❷ 634t-CO_2/billion yen ❸ 7.5% ❹ 76.1% ❺ 5,614t
Social value creation	Contribute to the development of sustainable living infrastructure through the early realization of a decarbonized society, solving of the marine plastic problem, and prevention of environmental pollution
Economic value creation	Enhance of corporate value by improving evaluation of environmental management initiatives (reduction/avoidance of the damage risk to corporate value)

Contribution to SDGs

*Scope1: Direct emissions from the reporting company's factories, offices, vehicles, Combustion of fuels etc.
Scope2: Indirect energy-derived emissions from electric power and other energy consumed by the reporting company
Scope3: Indirect emissions other than Scope1 and Scope2. Category 1 is emissions from activities up to manufacturing of raw materials, parts and containers / packaging materials

Major Initiatives

- Conducting a scenario analysis in accordance with the Recommendations of the TCFD and incorporating the results into Environmental Management Targets (FY2021–FY2025)
- Joining RE100*, an international initiative
- Installing a solar power system (Onahama Plant and Pfaffenhofen Plant)
- Addressing water-related disaster risk (Japan)
- Addressing water withdrawal risk (China and Brazil)
- Utilizing renewable energy (globally)

RE100 | CLIMATE GROUP | CDP

* RE100 is a global initiative promoting 100% corporate renewable energy, operated by the Climate Group, an international environmental NGO, and CDP that urges companies to disclose their climate change measures.

Pfaffenhofen Plant in Germany has installed a self-consumption solar power system and has started to use renewable energy. The estimated annual energy production of 580 MWh, which accounts for approximately 8% of the Plant's total power consumption, will contribute to reducing CO_2 emissions by 350 tons. Activation of the system is expected to reduce energy cost by ¥12 million per year.

For environmental management initiatives, refer to page 73

Contributing to the Realization of a Sustainable Society as a Healthcare Company

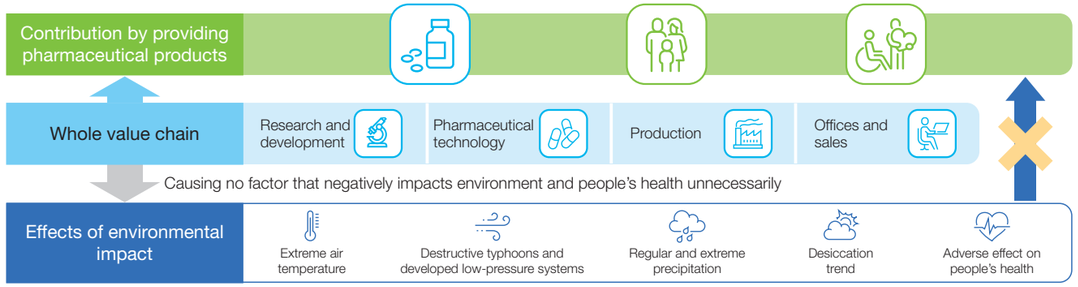
Environmental issues such as intensifying weather-related disasters associated with progressing global warming, depletion of natural resources, air/water pollution, and marine plastic pollution are now threats to the sustainable development of society as well as people's health.

We conduct business activities to contribute to the enrichment of quality of life through providing pharmaceutical products. We know, however, that those activities could cause environmental impact that might raise environmental issues.

What underlies our promotion of environmental management is the following belief: activities necessary to provide pharmaceutical products must not unnecessarily contribute to in environmental phenomenon that may threaten people's health and daily lives.

In the current 5-year business plan, we will contribute to the realization of a sustainable society by proactively implementing various initiatives to reduce environmental impact from R&D to sales all across the value chain.

Aiming to create a society where people lead healthy and safe lives



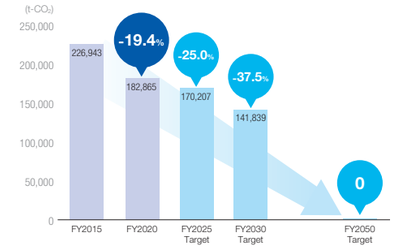
Reducing Environmental Impact and Implementing Advanced Measures for Climate Change

In the current 5-year business plan, we defined three future visions as 2050 long-term targets towards the realization of sustainable society: "Carbon neutrality" toward a decarbonized society, "100% recycling rate" toward a circular economy, and "Minimization of environmental risk" to fulfill our duties for a society co-existing with nature. These long-term targets are shared at each site of our 50 Group companies in 24 countries across the world.

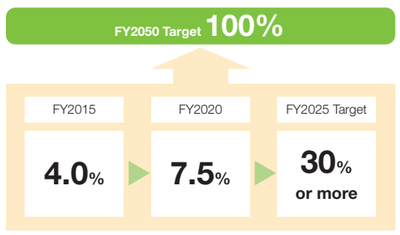
Specifically, we have been working on carbon neutrality through saving energy and reducing carbon emissions in our business activities, while setting early a CO_2 reduction target according to SBTi* toward the accomplishment of the goal of the 2015 Paris Agreement. To accelerate the realization of carbon neutrality by 2050, we will proactively utilize installable carbon-neutral technology, on top of buying renewable electricity, installing a large-scale solar power system using plant premises, and upgrading the facilities to high-efficiency facilities, among others.

* Science Based Targets initiative (SBTi): An international initiative that encourages companies to set CO_2 reduction targets based on scientific evidence in order to help accomplish the goal of the Paris Agreement of keeping the average increase in global temperature below 2°C.

FY2025 Targets toward Carbon Neutrality



Renewable Electricity Utilization Rate



External Evaluations

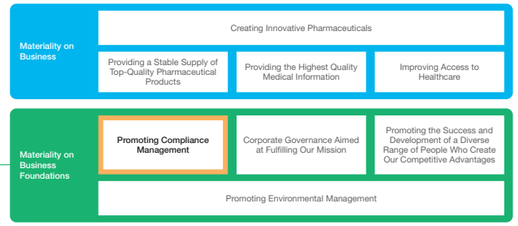
CDP A LIST 2020 CLIMATE

On December 8, 2020, Daiichi Sankyo was recognized for its progressiveness in actions to cut emissions, mitigate climate risks and develop the low-carbon economy by global environmental non-profit CDP* through its climate change survey, securing a place on its prestigious 'A List' for tackling climate change.

* CDP is an international nongovernmental organization (NGO) based in the United Kingdom that addresses environmental issues such as climate change. CDP requests major companies and cities around the world to disclose information on how they are tackling climate change, water management, and other issues, and conducts surveys and ratings. CDP conducts surveys with the support of institutional investors. CDP is recognized as one of the most trusted assessment agencies.

Materiality on Business Foundations

Promoting Compliance Management



The Daiichi Sankyo Group recognizes compliance is fundamental for the sustainable growth of a company. In addition to adhering to applicable laws, regulations etc., the Group conducts compliance management that acts with the high ethical standards and social norms for a healthcare company.

		Contribution to SDGs
Reason for selection	Since pharmaceutical companies handle products that affect human lives, we are asked to meet the high ethical standards. Compliance issues may damage corporate reputation. On the other hand, activities inherent to the pharmaceutical industry and the various stakeholders involved can result in latent risks that improper conduct may occur. Due to recent well-publicized incidents within the industry regulations continue to be strengthened. Across the Daiichi Sankyo Group companies, we believe compliance is the foundation of our business activities. Therefore, we promote a compliance management system which encourages each employee to behave with the high ethical standards, in addition to complying with applicable laws and regulations. For our mid-term target, the Daiichi Sankyo Group will maintain the high ethical standards throughout the Group and mitigate compliance risks by further enhancing its global governance structure and compliance programs.	
Long-term target	An organization in which every employee behaves with high ethical standards as well as in compliance with applicable laws and regulations	
Challenges for realizing materiality (toward FY2025 targets)	• To raise awareness for compliance among all executives and employees • To prevent non-compliant behavior of employees • To promote business partners' understanding of sustainable procurement and to minimize compliance risks	
KPIs	❶ Number of significant compliance violations ❷ Number of significant code violations ❸ Periodic employee survey on ethical culture ❹ Compliance monitoring, Monitoring of Promotional Activities ❺ Sustainable procurement survey coverage rate (based on total procurement amount) ❻ Strengthening internal education and disseminating our thoughts with business partners	
FY2025 targets	❶ 0 ❷ 0 ❸ Improvement of scores following baseline ❹ Conducting continuous monitoring at each company ❺ 75% ❻ Disclose of the result of education and training	
FY2020 results	❶ 0 ❷ Planning to start disclosing from FY2021 results ❸ Started survey in FY2021 ❹ Conducted at each company ❺ Previous survey: 72% ❻ New indicator (aggregate data from FY2021)	
Social value creation	Maintain and enhance trust in the pharmaceutical industry Improving social compliance through sustainable procurement	
Economic value creation	Enhance of corporate value by improving trust in our corporate brand (mitigation/ prevention of the risks of damage to corporate value)	

Major Initiatives

- Implement the Daiichi Sankyo Group Employee Code of Conduct
- Educate and train on our global policies related to Anti-Bribery and Anti-Corruption
- Promote ethical marketing practices
- Conduct an employee survey on ethical culture in Japan
- Operate a compliance reporting system
- Conduct compliance training and raising awareness
- Promote compliance and ethics in procurement

For promoting compliance management, refer to page 71

To Raise Awareness for Compliance

In recent years, global companies are expected to establish broad-ranging global policies regarding the requirements for the behavior of individuals across their respective organizations. Moreover, global policies are required to be adhered to and disclosed appropriately outside of a company to show that its global business activities are being conducted with integrity. In April 2015, we established a global policy on the individual behavior of all executives and employees. Replacing the Daiichi Sankyo Group Individual Conduct Principles, we established the Daiichi Sankyo Group Employee Code of Conduct ("ECC") to provide broader, uniform standards of individual behavior expected of executives and employees of all Daiichi Sankyo Group companies in April 2020.

We are also conducting training programs regularly to increase awareness of the ECC. In FY2020, we conducted its training using unified materials for the Daiichi Sankyo Group, not only to raise awareness of the ECC, but also to foster a sense of harmonization across the Group companies. We will continue to provide training regularly to raise individual compliance awareness among executives and employees, which will help to reduce compliance risks.

Promoting Sustainable Procurement Activities

To realize a sustainable society, the Daiichi Sankyo Group believes that it is essential to work together with its business partners to promote sustainable procurement based on a mutual understanding. As part of these efforts, the Group conducts a CSR Self-Assessment Survey every three years based on the Business Partner Code of Conduct (BPCC)* in cooperation with its major business partners, in order to deepen their understanding of BPCC and strengthen communication with them. We are conducting the second survey (FY2020 to FY2022), having sent the questionnaires to 403 major business partners in Japan and overseas in FY2020, and 340 companies (84%) have already responded as of March 31, 2021.

In light of the survey results, we will promote and strengthen sustainable procurement based on mutual understanding through continuing communication with our business partners.

Additionally, the Group is working on building a system to objectively evaluate and continually monitor potential risks of our business partners by using an external data source, which further enhances our compliance system with respect to our business partners.

*This Code of Conduct stipulates compliance rules in such fields as ethics, human rights, safety and health, and environmental management with which the Group urges its business partners in Japan and overseas to comply.

▶ CSR Self-Assessment Surveys

	First CSR Self-Assessment Survey Results (period, FY2017 to FY2019)			Second CSR Self-Assessment Survey (period, FY2020 to FY2022) in progress	
	Number of companies surveyed	Number of respondents (Response rate)	Number of companies we communicated with	Number of companies surveyed	Number of respondents (Response rate)
Total	381	355 (93%)	26	403	340 (84%)
Sub-total of (1) to (3)	248	230 (93%)	18	263	231 (88%)
(1) Raw materials *1	119	113 (95%)	6	138	116 (84%)
(2) Licensed products and consigned manufacturing products *2	99	92 (93%)	7	89	85 (96%)
(3) Manufacturer/Non-tier 1 Supplier *3	30	25 (83%)	5	36	30 (83%)
Indirect materials *4	133	125 (94%)	8	140	109 (78%)

*1 Raw materials for pharmaceutical products manufactured by the Daiichi Sankyo Group
*2 Contract manufacturing outsourcing
*3 Manufacturers of raw materials for our products that have no direct contract with the Daiichi Sankyo Group
*4 Purchased goods (facilities, equipment, services) other than those described in (1) to (3)

External Evaluations

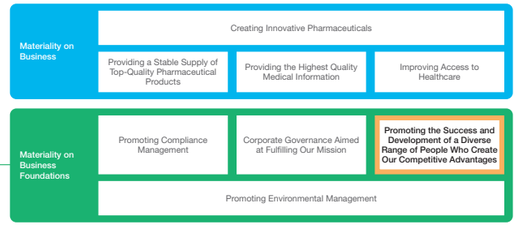
The Group has been included in the DJSI World Index, ESG indices managed by S&P Global to evaluate the sustainability of a company, for four consecutive years. We received the highest appraisal in the item "Code of Business Conducts."

The Group has also been included in the MSCI Japan ESG Select Leaders Index, an integrated ESG Index, receiving the highest appraisal for the Group's implementation of ethical compliance in the industry.

Member of Dow Jones Sustainability Indices Powered by the S&P Global CSA

Materiality on Business Foundations

Promoting the Success and Development of a Diverse Range of People Who Create Our Competitive Advantages



"People" are the most important asset of the Daiichi Sankyo Group. We consider it is essential to respect the diversity of each and every employee based on our "Human Resources Management Philosophy" to achieve mutual long-term growth of employees and the Group companies.

		Contribution to SDGs
Reason for selection	People are the foundation of our business activities. Acquiring diverse talent and effective HR management are major sources of competitiveness in global business. "People" are the most important asset of the Daiichi Sankyo Group. We consider it is essential to respect the diversity of each and every employee based on our "Human Resources Management Philosophy."We aim to achieve mutual continuous growth of employees and the Group companies by promoting and developing talents in each part of the value chain.	
Long-term target	Aim at mutual continuous growth of the employees and the company by respecting diversity and promoting the success and development of talents in all businesses	
Challenges for realizing materiality (toward FY2025 targets)	• Creating a work environment where a diverse range of talents are highly engaged and can maximize their potential • Acquisition and training of talents to enhance business competitiveness	
KPIs	❶ Percentage of female in senior managerial employees* ❷ Positive response rate (%) on corporate culture & work environment through engagement survey ❸ Positive response rate (%) on development & growth opportunities through engagement survey ❹ Amount of training/development investments per employee	
FY2025 targets	❶ 30% ❷ 80% or more, or 10% or more increase compared to FY2021 ❸ 80% or more, or 10% or more increase compared to FY2021 ❹ Disclose the result	
FY2020 results	❶ 18.9% ❷ 76% (Japan) ❸ 76% (Japan) ❹ ¥71,032 (note) ❷❸: A universal survey covers in and outside of Japan from FY2021	
Social value creation	Diversify of human recources, respect for human rights, talent development	
Economic value creation	Enhance of corporate value through developing talents to carry out business activities	

* Equivalent to Division Head / Vice President or higher position. Definision changed from FY 2020.

Major Initiatives

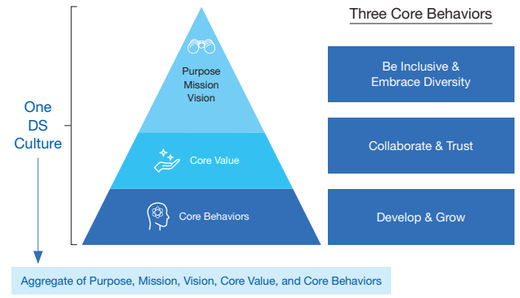
- Promotion of women's professional development and advancement
  Percentage of new female graduates hired in FY2020: 49.5% (108 men and 106 women in total) in Japan
  Percentage of women in managerial positions in FY2020 (Daiichi Sankyo): increased from the previous year by 146.0% (5.0% in FY2019; 7.3% in FY2020)
- Initiative for LGBT: Awarded "Bronze" at PRIDE Index 2020 formulated by "work with Pride," a voluntary organization in Japan
- Building an occupational health and safety management system (OHSMS) shared globally to identify focus areas of health measures and to reduce work-related accidents
- Providing global skills training to strengthen those skills of employees who are engaged in global operations

*Female employees in charge of a certain organization, who are responsible for the management of business performance and human resources, including heads of divisions, departments and groups.

For our efforts to promote the success and development of a diverse range of people who create our competitive advantages in Japan, refer to page 75

Aiming to Achieve Long-Term Growth of Both Employees and the Company

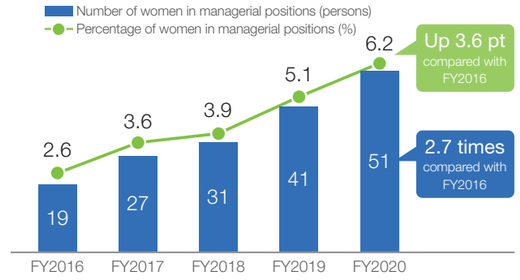
In the 5-year business plan, to deal with globalization and diversification associated with expanding oncology business, we will create a work environment where talents with diverse values are highly engaged and can maximize their potential, aiming to foster our own corporate culture, "One DS Culture." Toward the long-term target of aiming at mutual sustainable growth of the employees and the company by respecting the diversity and promoting the success and development of talents in all business fields, we strive to create a work environment where a diverse range of talents are highly engaged and can maximize their potential, as well as to acquire and train talents to enhance business competitiveness.



Creating a Work Environment Where a Diverse Range of Talents Are Highly Engaged and Can Maximize Their Potential

In order for Daiichi Sankyo to achieve challenging business goals through incorporating diverse perspectives into work, while valuing each person, we have a slogan, "Be Inclusive & Embrace Diversity," as one of the Core Behaviors. According to the Global Gender Gap Index 2021 designed to measure gender-based gaps and announced annually by the World Economic Forum, of 156 countries worldwide, Japan took 120th place, ranking at the bottom of the G7 countries , which shows Japan is well behind other countries in terms of women's professional development and advancement. The Daiichi Sankyo Group continues to implement various initiatives to support development and advancement of women, seeking to further ensure a working environment where women can progress and succeed.

Number of Women in Managerial Positions (Group companies in Japan)



Acquisition and Training of Talents to Enhance Business Competitiveness

To speed up and raise the quality of global business activities, it is essential to cooperate and collaborate closely beyond the borders of countries and regions. We will further accelerate acquisition and development of global talents who lead such cooperation and collaboration for each position and business field.

For acquiring talents, in addition to each individual's expertise and career experience, we also value the elements required to drive our global organization forward, namely "Intercultural Competency, Respecting People and Values, and Embrace Change," to find and acquire the right people for each role.

On top of human resource development measures at each company, we provide short and long-term work opportunities for our employees multilaterally among our locations in different countries and regions to promote global business development, while further striving to develop future leaders.

Engagement Survey

<Survey Conducted in Japan in FY2020>
In Japan, the FY2020 employee survey was conducted with a result of average engagement scores of total Group companies in Japan at 76% (national average in Japan: 59%*). To realize the Group's vision and achieve sustainable growth in the post-COVID-19 world, we will continue to work on improving productivity and enhancing engagement of each person through reviewing work style and ways of working.

<Global Survey Starting from FY2021>
In FY2021, an engagement survey on corporate culture, ethics, work environments, and development and growth opportunities is scheduled to be conducted, using a universal method across the Group worldwide.

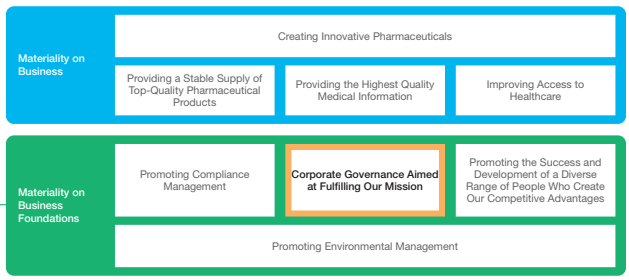
*IBM World Norms 2015–2018 Result data (N: 150,000 people)

External Evaluations in Japan

- 2021 Certified Health and Productivity Management Organization Recognition Program (Large Enterprise Category)—White 500
- Kurumin / Platinum Kurumin certification
- Eruboshi Certification (three stars)
- Certificate of Outstanding Small- and Medium-sized Business Owners for the Employment of Persons with Disabilities (Monisu Certification): DAIICHI SANKYO HAPPINESS CO., LTD.
- "Bronze" at PRIDE Index 2020
- Award for Outstanding Offices for the Employment of Persons with Disabilities (Minister of Health. Labour and Welfare Award, JEED president's Award)
- 20th Telework Promotion Awards, honorable mention (Implementing Telework category)

Materiality on Business Foundation

Corporate Governance Aimed at Fulfilling Our Mission



The Daiichi Sankyo Group places emphasis on establishing a management structure capable of responding promptly and flexibly to changes in the business environment. It aims to build a corporate governance structure worthy of the trust given to it by its shareholders and other stakeholders where it can promote legal compliance and management transparency, and strengthen the oversight of management and our operations.

Reason for selection	The external environment surrounding the Daiichi Sankyo Group is constantly undergoing major changes. Under such circumstances, a highly transparent and effective corporate governance system is essential for achieving sustainable growth of a company and enhancing its corporate value in the medium to long term. We aim to achieve sustainable growth in corporate value by establishing and operating a corporate governance system embedded with both management structure that can respond speedily and flexibly to changes in the business environment and make decisive decisions swiftly, and a supervisory function for management and execution.
Long-term target	Establish a corporate governance structure that enables (i) speedy decision making and (ii) supervisory and monitoring function for management and execution
Challenges for realizing materiality (toward FY2025 targets)	• Maintain and continue to build an optimal corporate governance structure based on the expectations of society • Improve the effectiveness of both, the Board of Directors and the Audit & Supervisory Board • Enhance and improve transparency regarding corporate governance
KPIs	❶ Comply with all the principles of the revised Corporate Governance Code in Japan ❷ Evaluate the effectiveness of the Board of Directors and implement measures for improvement ❸ Continuously evaluate and improve the effectiveness of the Audit & Supervisory Board ❹ Enhance and improve transparent disclosure in order to help stakeholders to understand the company's corporate governance
FY2025 targets	❶ Comply 100% with the revised Corporate Governance Code in Japan ❷ Evaluate the effectiveness of the Board of Directors and implement measures for improvement (including third party evaluation, two times by the end of FY2025) ❸ Continuously evaluate and improve the effectiveness of the Audit & Supervisory Board ❹ Disclosure through various communication materials with improved transparency
Current status	❶ Comply 100% with the Corporate Governance Code in Japan revised in June 2018 ❷ Annual the self-evaluation ❸ Evaluate the effectiveness of the Audit & Supervisory Board since FY2019 ❹ Disclosure through various communication materials
Social value creation	Total value provided through our business operations. Realize management with a high transparency to meet the expectations of shareholders, investors, and other stakeholders
Economic value creation	Improve sustainable growth of the company and enhancement of corporate value in the mid- to long-term

Contribution to SDGs

Major Initiatives

- Appoint a female Outside Director (June 2019)
- Appoint an Outside Director as Chairman of the Board (June 2020)
- Enhance information sharing which promotes understanding of Outside Directors and leads to more active discussions at Board of Directors
- Improve the effectiveness of the Board of Directors through Board evaluation (annual self-evaluation)
- Evaluate the effectiveness of the Audit & Supervisory Board (since FY2019)

For corporate governance, refer to page 51