

Message from the CEO

Towards the Realization of 2030 Vision “Innovative Global Healthcare Company Contributing to the Sustainable Development of Society”

To realize our Purpose, the Daiichi Sankyo Group aims to address the social issues that we are expected by society to solve through our business activities. We challenge ourselves to continuously provide innovative solutions based on our strength: Science & Technology.



Sunao Manabe
Representative Director,
President and CEO



Introduction

First, I would like to offer my sincere condolences to people who lost their families to COVID-19. I would also like to express my profound gratitude to healthcare professionals around the world who have been working tirelessly to treat infected people and prevent further spread of infection.

We have strived to thoroughly prevent the spread of infection in our workplace while continuing research and development activities, ensuring a stable supply of pharmaceutical products and providing the highest quality medical information to fulfill our mission as a healthcare company. We are taking actions to overcome COVID-19 such as mRNA vaccine development and contract manufacturing of the vaccine developed by AstraZeneca in collaboration with external organizations by fully leveraging our own research assets, technologies and knowledge.

Facing Society Faithfully toward the Realization of Our Purpose

Our purpose is to “Contribute to the enrichment of quality of life around the world.” 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.” The mission, which incorporates our Purpose, describes what we should do to fulfill our Purpose. Based on our established strengths in science and technology, we have created many innovative pharmaceuticals with know-how and knowledge across the value chain at the core and provided products addressing diverse needs including generic drugs, vaccines, and OTC drugs. Our common desire to contribute to the enrichment of quality of life around the world is at the root of our business and drives us to realize our purpose. Our strong desire to help patients suffering from illness is reflected to our sincere attitude toward society and customers, which has built trust in the Group.

The world is now facing a lot of challenges such as climate change and human rights violations. The COVID-19 pandemic has drastically changed society and our lives, and has made us rethink the challenges for the sustainable development of society. I believe that only a company that can meet expectations from society and create shared value with stakeholders including patients by addressing these social issues will be able to grow sustainably and be recognized as valuable. In the process of formulating our 2030 Vision and our current 5-year business plan announced in April 2021, we had a lot of discussions among the members of the Board of Directors in consideration of these thoughts.

As of FY2020

- Oncology business launched
- *Edoxaban* growing
- Regional value being enhanced
- AstraZeneca strategic alliance
- Increased RD investment

5-year Business Plan (FY2021-FY2025)

Achieve FY2025 Target
“Global Pharma Innovator
with Competitive
Advantage in Oncology”
and shift to further growth

2030 Vision

**Innovative Global
Healthcare Company
Contributing to the
Sustainable
Development of
Society**

- Global top 10 company in oncology
- Additional growth pillars being source of revenue and profit
- New products being source of profit in each business unit
- Contributing to sustainable development of society through our business

Message from the CEO

Healthcare as a Service, Lifelong Partner to an Individual

In formulating the current 5-year business plan, we shared the view on what the world could look like in 2030 beyond our 2025 vision which we set in 2016 and discussed the value that the Group will be able to provide sustainably. In light of these, we defined our 2030 Vision as an "Innovative Global Healthcare Company Contributing to the Sustainable Development of Society." The advancement of our digital transformation will enable the analysis of a variety of data fully utilizing digital technology, and drastically transform healthcare services that is the foundation for the enrichment of quality of life. In the near future, tailored and best healthcare solutions will be provided throughout the life journey of an individual from the very beginning of life through the end. For instance, genetic testing will be able to identify risks or causes for diseases. Utilization and analysis of accumulated big data will enable us to provide the most efficient solutions for the treatment and prevention of diseases. Additionally, real-time understanding of health status with a wearable product will enable remote data analysis and service provision. As a wide variety of companies are expected to start providing healthcare services, collaboration with other industries will become essential.

Surrounded by such an environment, considering what value we can provide with certain advantages, I believe that we can contribute to the treatment and prevention of diseases by providing modalities* based on our greatest strengths in science and technology. We will seek to develop various modalities such as nucleic acid drugs, gene therapy, and cell therapy as new treatment solutions to follow antibody drug conjugates (ADCs). With "patient's perspectives" in mind, we want to be a company that can offer a wide range of solutions to society based on the modalities that work best.

* Drugs include small molecules, antibodies, and other types of drug molecules, collectively called modalities.

ESG Management Corresponding to the New Stage

The ESG management that we drive represents "management based on a long-term perspective that enhances both financial and non-financial value by reflecting ESG elements in business strategies." We believe that such long-term focused management translates into sustainable growth of both our company and society.

As it is described in "The End of Accounting and the Path Forward for Investors and Managers" (Baruch Lev, Feng Gu Published: 2016), value that cannot be read in the financial statements is becoming more important in corporate value (market capitalization) in the market. I believe that such non-financial value will be enhanced by ESG management with a long-term perspective. Recent studies show that companies with higher ESG scores better improve long-term returns than those with lower scores, hinting that companies that keep on creating non-financial value grow sustainably.

It takes many years to create innovative pharmaceuticals. *Enhertu*[®] and other ADCs took many years. Looking ahead 10 years and beyond, we will recognize the importance of management with a long-term perspective and will remain committed to engaging with stakeholders and further advancing ESG management that meets their expectations.

Business Model Underpinned by Our Strength in Science & Technology (Value Creation Process)

Our "value creation process" illustrates how we create and provide value to society to realize our Purpose schematically. With our strengths in science and technology as our source of competitive advantage, we invest our important capital such as

human capital (employees) and intellectual capital (know-how and knowledge on drug discovery and information on pharmaceuticals) into our value chain activities including R&D, manufacturing, and sales. In this way, we create products addressing diverse needs (innovative pharmaceuticals, generics drugs, vaccines, and OTC drugs) to provide value to society. We also contribute to improving access to healthcare, streamlining healthcare financing, and solving other social issues. In these ways we create and provide value to society and reinvest it as capital. By circulating the process, we should achieve both sustainable growth of the company and of society as a whole. Human capital, one of the important capitals for value creation, is positioned as the most important "asset" in our HR management philosophy. We aim at mutual sustainable growth of the employees and the company by respecting the diversity and promoting the success and development of people in all business fields. These approaches to human resources and our uniqueness of having R&D based in Japan lay a foundation for our strengths in science and technology. In fact, the 3ADCs* we created are the result of collective efforts of a diverse range of highly specialized and experienced talent with capabilities to create new drugs – and this demonstrates the tradition handed down through our history of over 100 years dating back to the days of our predecessor companies – to assess the science, and to create sophisticated drugs. It is these strengths that provide us with the source of sustainable value creation, which gives us confidence in our capabilities to undertake in-house drug discovery.

* 3ADCs: 1) *Enhertu*, *Trastuzumab deruxtecan (T-DXd, DS-8201)*, 2) *Datopotamab deruxtecan (Dato-DXd, DS-1062)* and 3) *Patritumab deruxtecan (HER3-DXd, U3-1402)*

For value creation process, refer to page 9

Setting the Materiality KPI

In FY2019, the Group identified material issues at the Board of Directors after much discussion.

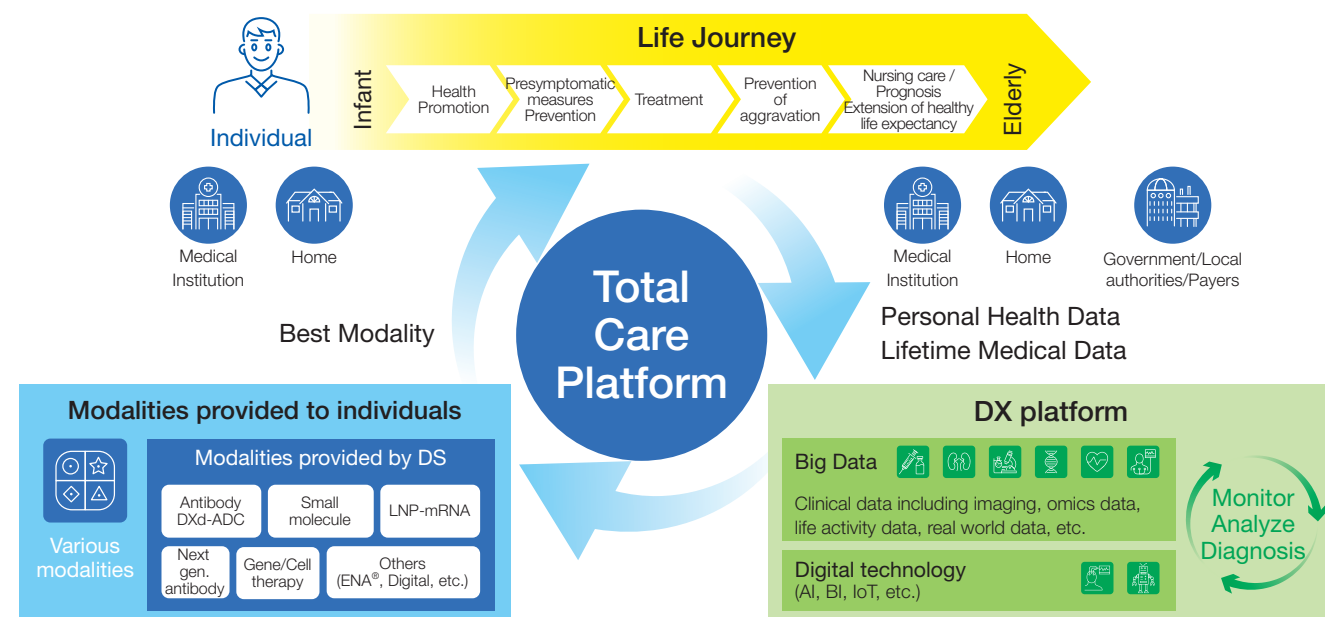
The level of importance of material issues was assessed from two perspectives and was discussed for prioritization. The two perspectives were the existing "impact on our business" and, additionally, "expectations from society" that incorporate an ESG approach and will translate into non-financial value. Eight material issues were identified and organized into "materiality on business" and "materiality on business foundations."

Needless to say, social value creation through "creating innovative pharmaceuticals" in the "materiality on business" is the most important materiality in our sustainable growth strategy for establishing a competitive advantage. I consider that the same is true for the "promoting environmental management" in the "materiality on business foundations." The members of the Board of Directors gave many opinions on our corporate social responsibilities for environmental issues, a pressing social issue. We are engaged in business activities that contribute to the healthy life of people around the world. We are strongly aware that our business activities must not cause environmental issues that might threaten the health and lives of people.

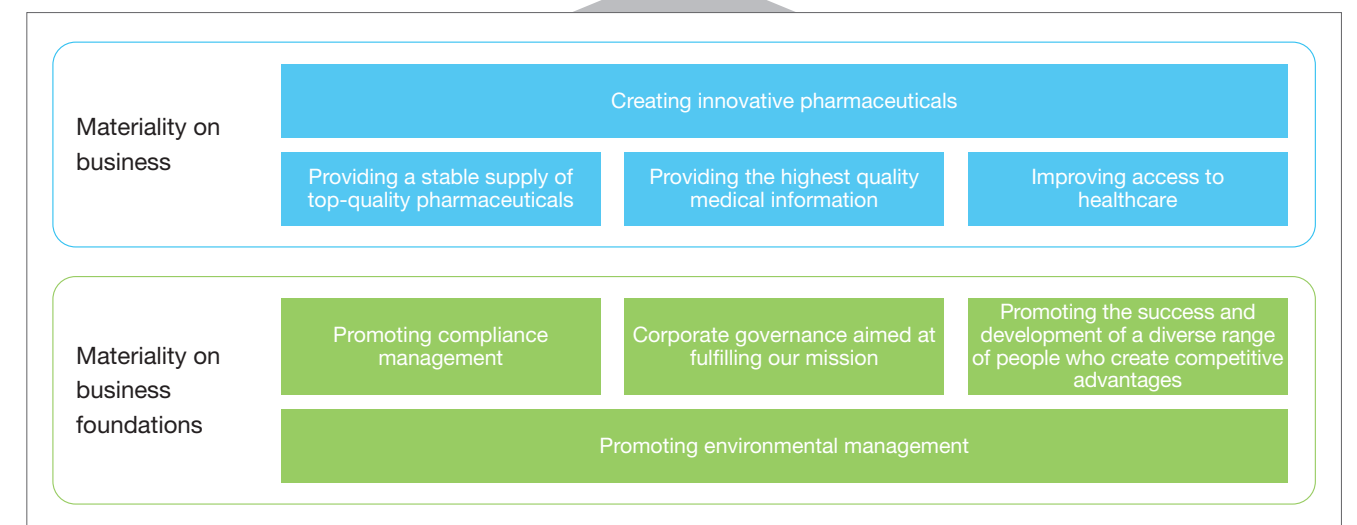
After about a half year discussion in FY2020, long-term goals as well as KPI targets linked to the current 5-year business plan were set for each materiality. In this process, we obtained opinions and feedback from investors and Outside directors. With this as the first step, we will continue to appropriately understand expectations for us through dialogue with internal and external stakeholders while reviewing material issues every year, confirming progress on the KPI targets, and improving our initiatives.

For Materiality, refer to page 17

External Environment and How We Will Provide Value



The value we provide to our stakeholders and society through our value creation process



Message from the CEO

Recap of the Previous 5-year Business Plan

Regarding the major progress made in each of the six strategic targets, and shareholder returns during the previous 5-year business plan (FY2016–FY2020), first and foremost, we made a remarkable achievement in establishing our oncology business: the launch of *Enhertu*. With 3rd line treatment for HER2-positive breast cancer as the first indication, we were able to obtain approval and launch the product in the US within only four years and three months from the initiation of the clinical study. Subsequently, it was also launched in Japan and Europe, and is gaining new indications steadily. In addition, the two strategic alliances with AstraZeneca for *Enhertu* and *Dato-DXd* have enabled us to develop strategies to maximize the value of these two ADCs. The alliance brought us monetary resources and allowed us to expand the original development plans. In addition, we are enhancing our expertise across the oncology arena.

As for the continuous generation of innovative drugs, the value of our late-stage pipeline increased substantially, particularly for the 3ADCs, and good progress has been made around drug discovery utilizing a variety of modalities beyond ADC, particularly for nucleic acid drugs, cell therapy and gene therapy.

As for the financial targets for the previous 5-year business plan, we have optimized manufacturing and R&D structures globally, optimized commercial structures in accordance with our product portfolio in the U.S. and the EU, and divested non-core assets as well and improved our ability to generate profit. However, it is expected that the targets will be achieved in FY2022 or beyond due to the exit from pain business in the U.S. and additional investment associated with substantial progress in the clinical development of the 3ADCs.

Positioning and Strategic Pillars of the Current 5-year Business Plan

As the establishment of our oncology business has been progressing well, we are confident that we can realize our 2025 Vision of being a “Global Pharma Innovator with Competitive Advantage in Oncology.” Therefore, we decided to position it as a specific target of FY2025. Our current 5-year business plan that covers FY2021 through FY2025 is a business plan designed to achieve our FY2025 target and to shift toward a growth stage to realize our 2030 Vision under ESG management.

The specific corporate image to be achieved by 2030 is: Global top 10 in terms of oncology revenue; Having additional pillars as a source of growth; New products being a source of profit in each business unit; and Contributing to the sustainable development of society through our business.

The financial targets for FY2025 are: Consolidated revenue of ¥1,600.0 billion, of which the revenue from oncology will be more than ¥600.0 billion. In other words, the oncology business aims to achieve revenue growth of more than six times than the current level. In light of this, the most important strategic pillar of the current 5-year business plan is “to maximize 3ADCs,” we will continue to work on maximizing 3ADCs as planned. The key to maximize 3ADCs is development capabilities to produce high-quality clinical data.

To maximize the potential of each product, high-quality clinical data must also be used to support them. And the strength of global development is critical to obtaining high-quality clinical data. We learned the importance of global development capabilities through the global development of *edoxaban* and *mirogabalin*. In order to continue to obtain high-quality clinical data, we will further strengthen our global development capabilities.

Furthermore, taking a long-term perspective as a pharmaceutical company, we will “identify and build pillars for further growth” by taking into account the next 10 years or beyond. We will remain committed to identifying the post-3ADCs growth drivers, and select and advance the promising modalities that will become post-DXd-ADC growth drivers. Generally speaking, it takes more than 10 years of research and development to launch a product. We will work to fulfill our responsibilities by keeping in mind that it also takes 10 years to see the results of strategies developed by the current executives.

Creating Shared Value with Stakeholders

As the fourth strategic pillar of the 5-year business plan, four initiatives have been identified for each stakeholder to create shared value with stakeholders.

With patients, we will further focus on “Patient Centric Mindset” and co-create value by providing new drugs and information with significant social needs. Going forward, patient centric mindset will become even more important for us as our activities will target oncology and rare diseases more in our pipeline. As such, we are determined to incorporate the voice of patients and their families into the entire value chain by developing new drug formulations considering patient’s perspectives, providing easier to understand and more accessible safety information.

We will also create shared value with stakeholders and investors. We will remain committed to maximizing shareholder value through appropriate information disclosure and constructive discussions. We will aim for ROE of 16% or more in FY2025 and will enhance capital efficiency. As for shareholder returns, in addition to maintaining the current ordinary dividends of ¥27 per share, we will increase dividends that take account of our profit growth. We will also flexibly acquire own shares and will enhance shareholder returns. We have adopted dividend on equity, “DOE”, based on the policy of stable shareholder returns, as a KPI for shareholder returns going forward. Our target is DOE of 8% or more in FY2025, exceeding cost of shareholders’ equity, and maximizing shareholder value through this achievement.

As for society, we will create shared value by deepening our recognition of social issues we need to address through discussions with various stakeholders. We have established three long-term targets for 2050 to reduce the environmental impact throughout the value chain. They are carbon neutral; 100% recycling; and environmental risk minimization. Additionally, we will contribute to society by establishing technology and manufacturing expertise for COVID-19 and future epidemics, and we intend to work on the development of vaccines not only for COVID-19 but for possible future pandemics.

Toward creating shared value with employees, we will address changing core behaviors in order to build a unified culture. To achieve the current 5-year business plan, we need to build on the strengths of our global organization and talent

with the expansion of our oncology business by recruiting diverse talented people from many countries and regions. To create an inclusive culture where people with various values can be their best under One DS Culture, we have defined three “Core behaviors,” embedded across the entire Group. We will focus on creating synergies by promoting mutual understanding among regions and functions, collaborating efficiently based on transparency and trust, and strengthening human resource development and growth through challenges and proactive actions.

In Closing

Our Outside Directors and Outside Audit & Supervisory Board Members give opinions and advice from a variety of perspectives, which has been further enhancing the oversight functions of the Board of Directors.

Additionally, we will actively engage in a dialogue with stakeholders and incorporate their constructive opinions into management. We also intend to enhance corporate management based on swift and optimal decision-making.

We have incorporated ESG evaluations by the DJSI, FTSE, and ATM as a performance measure consideration for the newly introduced medium-term performance-based share compensation for executive compensation in Daiichi Sankyo Japan. We will further promote ESG management for sustainable growth and strive to continuously create new drugs for patients that are extremely important for business continuity in 10 years and beyond.



* DOE: Dividend on Equity = Total dividend amount / Equity attributable to owners of the Company

