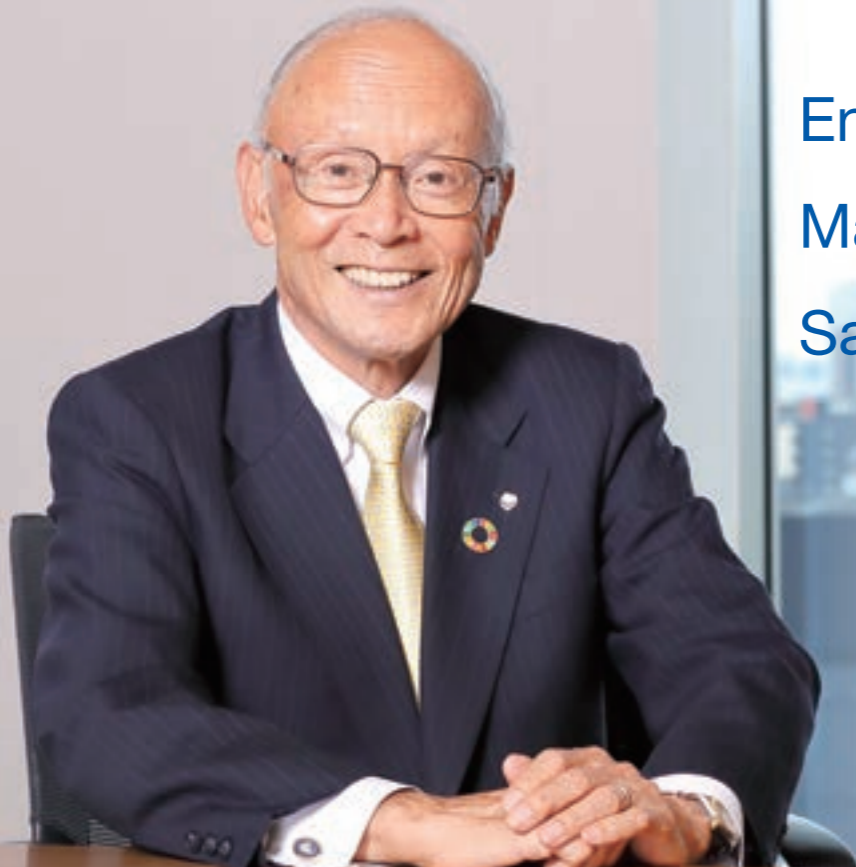


Message from Chairman of the Board



Enhancing the Maximize the Social Sankyo Group Offers

Noritaka Uji

Chairman of the Board (Outside Director)

Aiming to Grow Daiichi Sankyo into a Global Company while Leveraging the Advantages of a Japanese Company with Strength in Research and Development

I was appointed as Chairman of the Board in June 2020. For the past seven years, I, as an outside director, have been dedicated to understanding the Company's business, corporate culture, and values. At the same time, I have also worked to make decisions on important management issues and supervise their execution. When assuming the position of the Chairman, I felt immense responsibility and expectations, but I was able to make a good start thanks to the other members of the Board, who have a wide variety of experiences and expertise.

Daiichi Sankyo, possessing the advantages of a traditional Japanese company, has great competence in drug discovery backed by its Research and Development (R&D) capabilities. In FY2020, the Company's R&D expenses reached ¥227.4 billion, with a high ratio to revenue of 24%. I started my career at Nippon Telegraph and Telephone Corporation (NTT), where I eventually served as senior executive vice president and chief technology officer (CTO). Speaking from that experience, I note that the Daiichi Sankyo Group's investment in R&D

requires a longer period of time and a larger ratio (to revenue) than an IT company. This means that R&D has a very important position in the Group's management strategy. The Company is currently at the stage of enhancing its development capabilities to expand its R&D results globally, thereby increasing its global presence. Since there is a wealth of highly specialized talent across Daiichi Sankyo, I believe that the Company can further enhance the execution capabilities of the entire organization while leveraging its strengths.

Today, there are social issues that pharmaceutical companies must address, such as overcoming diseases and improving access to healthcare. To resolve those issues, the Daiichi Sankyo Group is committed to providing value to society by creating medicines that meet social needs and by delivering them to as many patients as possible around the world. To fulfill our purpose "Contribute to the enrichment of quality of life around the world," Daiichi Sankyo needs to continue to grow into a company whose existence is recognized as meaningful to the global society.

Effectiveness of the Board of Directors to Value and Corporate Value that the Daiichi

Lively Discussions by Balanced and Diverse Members of the Board

The core principles of strong corporate governance are to secure fairness, independence, and transparency, to separate execution and supervision, and to ensure that the Board of Directors fulfills its supervisory function. I recognize that the major role of the Chairman of the Board is to create an environment conducive to lively discussion and to integrate the knowledge of Members of the Board effectively. Outside directors can effectively provide input and also judge whether the company's thinking is in line with external and shareholders' perspectives.

The composition of the Board of Directors is well balanced considering attributes such as the ratio of inside and outside members and the percentage of female members in Directors and the Audit and Supervisory Board Members. The adequate balance of the Board of Directors is also indicated by the skill matrix, for its diversity in experience and areas of expertise. Each member of the Board strives to demonstrate their expertise and knowledge, and this is a key point for stimulating discussions.

Having an outside director serve as Chairman of the Board has helped to facilitate more in-depth discussions between internal and outside directors.

In FY2020, we spent significant time reviewing our long-term vision and discussing medium- to long-term strategies. Outside directors made a significant contribution based on their experience and knowledge, particularly in discussing risk management, female empowerment, sustainability such as environmental management and access to healthcare, and the promotion of digital transformation (DX).

Evaluating the Board of Directors to Further Enhance its Effectiveness

In FY2020, we implemented various initiatives to enhance the effectiveness of the Board of Directors, reinforcing its supervisory and decision-making functions.

For the evaluation of the effectiveness of the Board of Directors, refer to page 50

The development of the current 5-year business plan was a matter of top priority. Therefore, to discuss to the fullest extent, we set up opportunities to exchange views on the plan, both in and outside the Board of Directors' meetings. In addition, the Board of Directors needs to take a particularly close look at large-scale R&D investments. For this reason, we have implemented initiatives such as Lessons Learned verification of R&D management.



Message from Chairman of the Board

We reviewed the roles of the Board and the executive side and the division of decision-making between them, aiming to improve the supervisory function of the Board and enable flexible and prompt execution. As Chairman, I have close communication with the executive members including the CEO and the CFO. Also, information sharing between both sides has been improving as outside directors have become sufficiently informed of management executive meetings and other events.

The self-evaluation by all directors is conducted every fiscal year, and it has generated many candid opinions. Among them, the Company has identified the issues and points that can help improve the functions and effectiveness of the Board of Directors. The Company plans to implement a third-party evaluation by an external organization in FY2021.

“Aggressive Governance” to Support Efforts to Fulfill Social Significance from a Long-Term Perspective

In today's rapidly changing external environment, we are aware of the need to adopt the perspective of “aggressive governance.” I believe that in order to achieve sustainable growth, we must not hesitate to make changes while giving due consideration to risks. Recently, the Board of Directors, including outside members, has given its full support to the Daiichi Sankyo Group's direction toward expanding the vaccine business, considering its strengths in specific technologies and R&D, as well as the needs of society. With its own production bases for seasonal influenza vaccines, among others, Daiichi Sankyo has supplied vaccines in normal times. Moreover, in March this year, Daiichi Sankyo embarked on efforts against the spread of COVID-19 by starting phase 1/2 clinical trials of a mRNA vaccine (DS-5670) based on new technology in Japan.

Board of Directors' discussion involves identifying any risks and making rational judgments on the appropriateness of an investment. I also want to consider that the person in charge of a project has a high sense of responsibility and enthusiasm toward achieving the goal. The passion of



employees for innovation and the people with diligence and sincerity are strengths of the Daiichi Sankyo Group. I would like to further invigorate the corporate culture that fosters such qualities.

Incorporating ESG Evaluation in Executive Compensation to Accelerate Initiatives

Daiichi Sankyo has incorporated ESG evaluations by the DJSI¹, FTSE², and ATM³ into the medium-term performance-based share compensation that was newly introduced to the executive compensation system this year.

The Daiichi Sankyo Group attaches great importance to ESG management. The Board of Directors has adopted a sustainability perspective to address issues such as social and environmental problems and identified eight material issues. We put considerable time into discussing these issues FY2020 as well and set KPI target values, largely reflecting the knowledge of outside directors. The key to achieving the set KPI target values is to determine how to specifically incorporate the target values into business activities and put them into practice, which requires the commitment of the entire Group. I also find it essential to engage in constructive dialogue with shareholders.

Regarding ESG, although the Company has received high external evaluations from several third-party organizations, I think that Daiichi Sankyo should aim for even higher evaluations and improve its delivery of information and its appeal, especially to external parties.

As for DX, the Digital Transformation Management Division, which was established last year, should play a central role in further utilization of ICT (Information and Communications Technology) for Daiichi Sankyo's management and business. The Company needs to step up efforts to develop DX unique to Daiichi Sankyo.

*1: Dow Jones Sustainability Indices evaluating the sustainability performance by S&P Dow Jones Indices, USA. It comprises global sustainability leaders on the analysis of long-term economic, environmental and social performance of companies.

*2: FTSE Russell, a wholly owned subsidiary of the London Stock Exchange, develops ESG indices which comprises companies demonstrating strong ESG performance.

*3: The Access to Medicine Foundation, a non-profit organization based in the Netherlands, assessed 20 leading global pharmaceutical companies on improving access to medicines in developing countries.

Cooperating with Society to Realize the Daiichi Sankyo Group's Purpose and Vision

In April 2021, we announced our 2030 Vision, “Innovative Global Healthcare Company Contributing to the Sustainable Development of Society,” with the aim of realizing our Purpose “Contribute to the enrichment of quality of life around the world.” The Board of Directors recognizes the need to discuss future visions as Daiichi Sankyo moves forward to build growth pillars not only in the oncology business but also in other areas. The Daiichi Sankyo Group has the ability and a wealth of achievements to actualize the Purpose. However, in order to realize the 2030 Vision, we need to raise public awareness of the value that the Group creates. It is also important to increase the number of stakeholders, including partners who agree with the Purpose and Vision and are willing to cooperate. I will do my utmost as Chairman of the Board and outside director to further enhance Daiichi Sankyo's corporate value.

Enhancing the Effectiveness and Function of the Board of Directors

The Company utilizes board evaluation for Board of Directors and the individual Directors to assess their current status and identify issues to be addressed, continuously making efforts to improve the functions and effectiveness of its Board of Directors. The Company conducts board evaluation of Board of Directors every fiscal year and addresses the issues identified for improvement through the board evaluation. In the subsequent board evaluation, the Company assesses the latest status and confirms the status of improvement from the previous fiscal year.

Implementation Method of the Board Evaluation

The Company determines the board evaluation items to evaluate both the Board of Directors as a whole and each individual Director with reference to the principles and supplementary principles associated with the general principle 4, “Roles and Responsibilities of the Board” of Japan's Corporate Governance Code.

All Directors self-evaluate the above matters by selecting grades and also answering open-ended questions, and the analysis results and the details are reported to the Board of Directors.

The latest round of self-evaluation generated candid opinions using an open-ended question format. Based on these results, the Company has identified the issues and matters for improvement that will help improve the functions and effectiveness of the Board of Directors.

Results of the Board Evaluation for FY2020

The evaluation of the Board of Directors for FY2020 revealed that the Board was functioning appropriately in terms of its role, responsibilities, operations, and composition and that the Board as a whole was effective. The Company has also addressed the issues for further improvement, identified in the FY2019 evaluation (described in the items 1 to 5 below). We have implemented the following initiatives and confirmed progress in that improvement.

	Issues for improvement (identified in FY2019)	Major Initiatives in FY2020
1	Further enhancement of the Board of Directors' decision-making and oversight functions, as well as monitoring and risk management functions	<ul style="list-style-type: none"> The oversight functions were strengthened with an Outside Director assuming the Chairman of the Board in June 2020. KPIs for materialities (key issues) were fully discussed and resolved at Board of Directors meetings. Lessons learned from business investment and R&D investment cases were reported to Board of Directors.
2	Enhancement of discussion to develop the 5-year business plan	<ul style="list-style-type: none"> Toward the formulation of the 5-year business plan, discussions took place at Board of Directors meetings and at briefing sessions for Outside Directors and Outside Audit & Supervisory Board Members (six times in total).
3	Preparation of sufficient proposal and report content as needed for discussion and decision-making materials	<ul style="list-style-type: none"> Regarding the Company's monthly business report and other topics such as business alliances, appropriate materials and explanations were given to Board of Directors members as needed for meaningful discussions.
4	Further increase in time allotted for deliberation, discussion, and question and answer sessions	<ul style="list-style-type: none"> Inquiries and comments from preparatory meetings with Outside Directors and Outside Audit & Supervisory Board Members were shared with presenters in advance and appropriate time allocation was ensured for each agenda item, which has contributed to the enhancement of deliberation, discussion, and question and answer sessions in Board of Directors meetings.
5	Further enhancement of providing information to Outside Directors and Outside Audit & Supervisory Board Members for enhancing their understandings.	<ul style="list-style-type: none"> Implementation of initiatives as follows for enhancing Outside Directors and Outside Audit & Supervisory Board Members' understanding of the Company's business: Prior explanation to Outside Directors and Outside Audit & Supervisory Board Members on the agenda items of each Board of Directors meeting in advance, outside executives' attendance to the Executive Management Committee as observers, sharing Executive Management Committee's materials and news and topics about the pharmaceutical industry with outside executives.

Priority Measures for the Board of Directors FY2021

Drawing on the self-evaluations of fiscal year 2020, the Company is endeavoring to ensure and improve the functions and effectiveness of its Board of Directors. To this end, the Company will implement the following priority measures in fiscal year 2021, with the aim of further strengthening Board of Directors' decision-making function, oversight function, monitoring, and risk management function.

In addition, the board evaluation for fiscal year 2021 is scheduled to be conducted by a third-party organization.

- Increased efforts to aim to ensure Corporate Governance most suitable for the Company
- Enhancement of Board of Directors' oversight functions for the oncology business and international business
- Further enhancement of discussions at the Board of Directors
- Further enhancement involving delivery of information in a manner that will promote understanding of Outside Directors and Outside Audit & Supervisory Board Members.



Discussions Related to ESG at the Board of Directors meetings

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

Discussions on setting KPIs for materiality

In April 2021, we announced KPIs for materiality in conjunction with the current 5-year business plan. In order to set the KPIs, the Members of the Board held monthly discussions from December 2020 to March 2021. Members of the Board made the following comments on the long-term goals of materiality and challenges in attaining the goals: “How is it possible to express Daiichi Sankyo's unique outlook on the world toward the realization of the purpose?” “Consideration should be given to even further proactive initiatives for the environment, a globally important social issue, and the content of the descriptions,” and “More emphasis should be placed on the fact that the ultimate goal of carbon neutrality and drug development is to extend the life span of people.” In response to the opinion that “it is necessary to capture the changes in the social environment caused by COVID-19,” we reconfirmed the positioning of materiality based on the environmental changes caused by COVID-19. We also have the following comments: “It is desirable to consider narrowing down the KPIs so that they are more comprehensive rather than detailed,” and “The KPIs should specifically indicate the degrees of achievement.” With those opinions taken into consideration, the KPI target values, through a thorough examination, were decided at the Board of Directors' meeting in March 2021.