Passion for Innovation.
Compassion for Patients.™

Daiichi-Sankyo

Daiichi Sankyo Group Value Report 2021

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Editorial Policy

Daiichi Sankyo began publishing Value Reports, its brand of integrated reports, in fiscal 2013. These reports integrate reporting on sustainability, a distinctive element of corporate social responsibility, by referring to the IIRC framework, and are positioned as a communication tool for helping shareholders and investors understand the Company's efforts to improve its long-term corporate value and realize a sustainable society.

For the latest information on the Company's activities, please refer to the Company's website, which includes a variety of contents, including financial results summaries and videos of briefing sessions for investors.

Period Covered

April 1, 2020–March 31, 2021 (FY2020) and also information for the period from April 2021 onward

Cautionary Note Regarding Forward-Looking Statements

Management strategies and plans, financial forecasts, future projections and policies, and R&D information that Daiichi Sankyo discloses are all classified as "Daiichi Sankyo's future prospects." These forward-looking statements were determined by Daiichi Sankyo based on information currently available with certain assumptions, premises and future forecasts, and thus, there are various inherent risks as well as uncertainties involved. As such, please note that actual results of Daiichi Sankyo may diverge materially from Daiichi Sankyo's outlook or the content of this material.

Company's website

https://www.daiichisankyo.com/

Our Mission

Purpose	Contribute to the enrichment of quality of life around the world
Mission	Create innovative pharmaceuticals addressing diverse medical needs

Core Value

A permanent value (or principle) that guides our conduct

Innovation

The introduction of new ideas, methods, or inventions

Integrity

The quality of being honest and of always having high moral principles

Accountability

Being responsible for the effects of your actions and being willing to explain or be criticized for them

Core Behavior

Three essential behaviors embedded across the entire Group

- Be Inclusive & Embrace Diversity
- Collaborate & Trust
- Develop & Grow

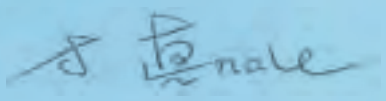
Corporate Slogan

Passion for Innovation. Compassion for Patients.®

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

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.

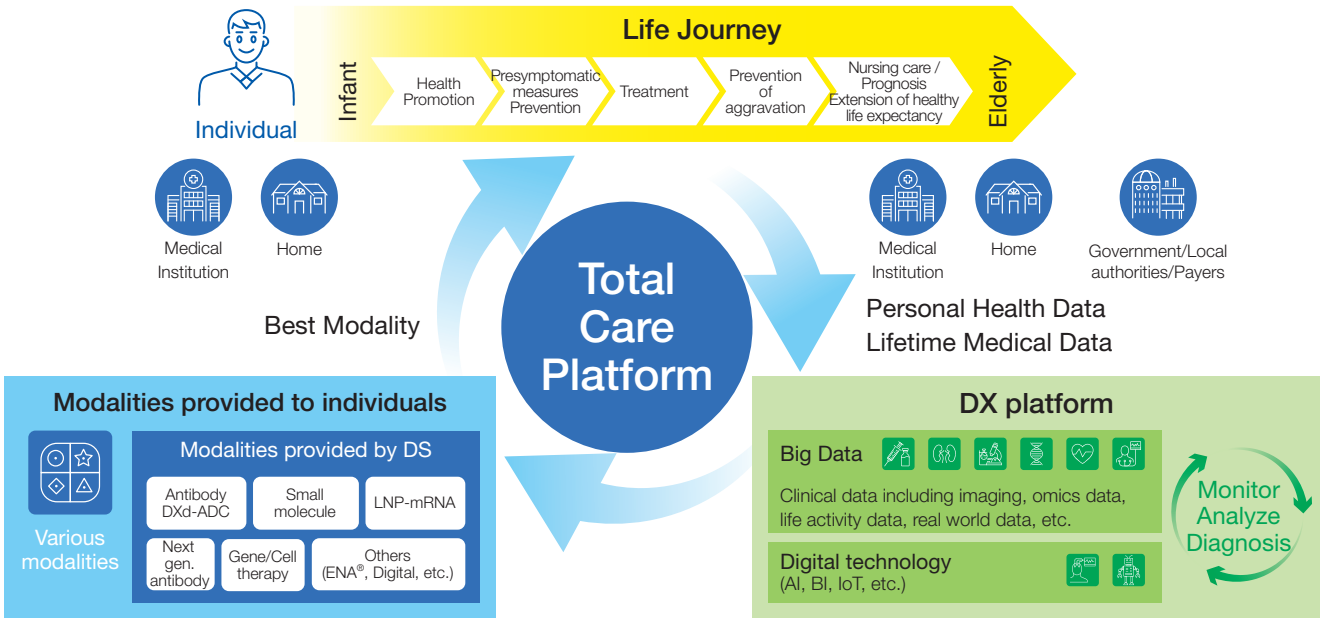
As it is described in "The End of Accounting and the Path Forward for Investors and Managers" (Baruch Lev, Feng Gu Published: 2016), value that cannot be read in the financial statements is becoming more important in corporate value (market capitalization) in the market. I believe that such non-financial 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

▶ External Environment and How We Will Provide Value



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.

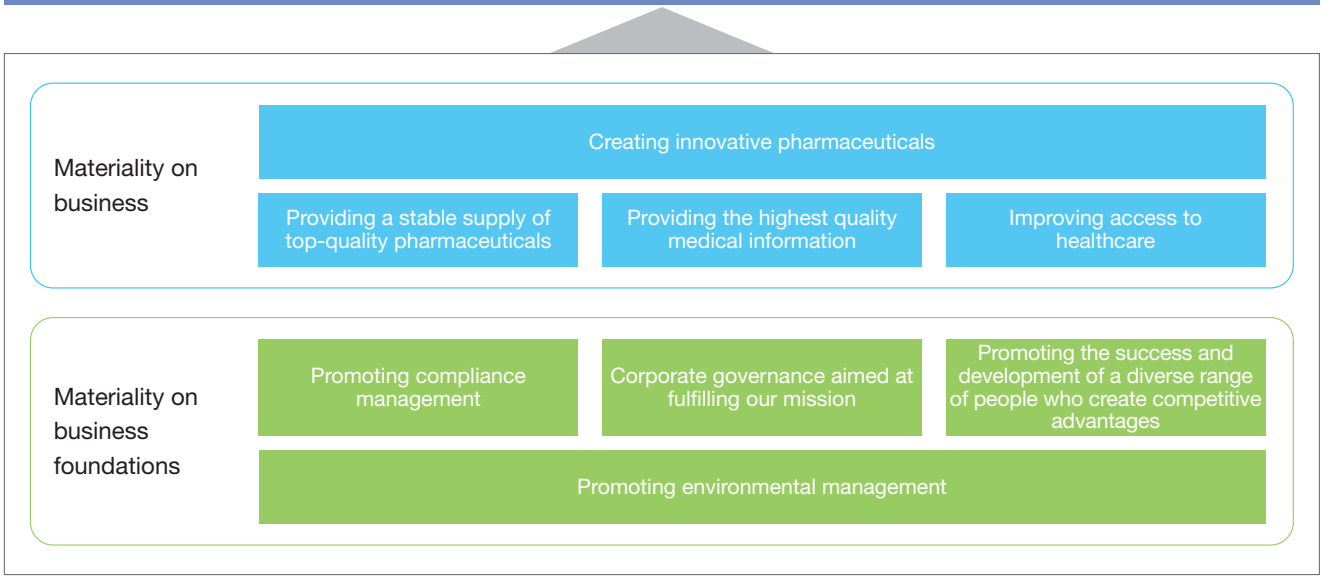
The level of importance of material issues was assessed from two perspectives and was discussed for prioritization. The two perspectives were the existing "impact on our business" and, additionally, "expectations from society" that incorporate an ESG approach and will translate into non-financial value.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

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



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 a 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.

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

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

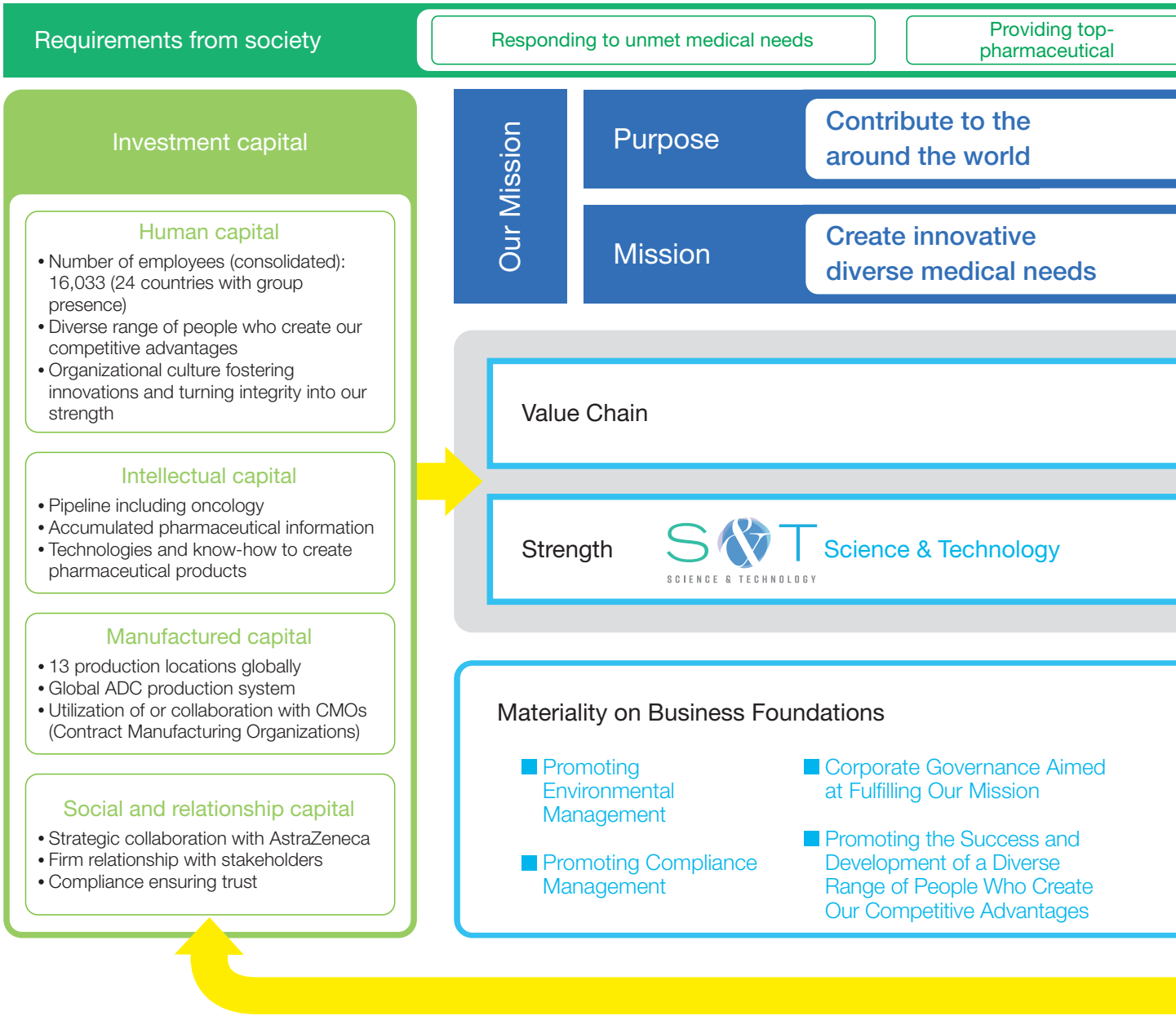
Our Outside Directors and Outside Audit & Supervisory Board Members give opinions and advice from a variety of perspectives, which has been further enhancing the oversight functions of the Board of Directors.

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.

Business Model Underpinned by Our Strength in Science & Technology

The Daiichi Sankyo Group responds to a wide range of requirements from society, including responding to unmet medical needs and improving access to pharmaceuticals. In response to the diverse needs of society, we provide patients and other stakeholders as well as the society with social and economic value through our innovative pharmaceuticals, generic drugs, vaccines, and consumer healthcare products by leveraging various resources we have built up over the years. Such resources include diverse and competitive human capital, intellectual capital such as our pipeline, technologies and know-how, technologically sophisticated manufactured capital that enables the supply of advanced and top-quality pharmaceuticals, and social and relationship capital such as good relationships with business partners and trust from society. At the same time, we gain these values through our value chain and reinvest them as



Four Businesses Responding to Diverse Medical Needs

Innovative Pharmaceuticals Business

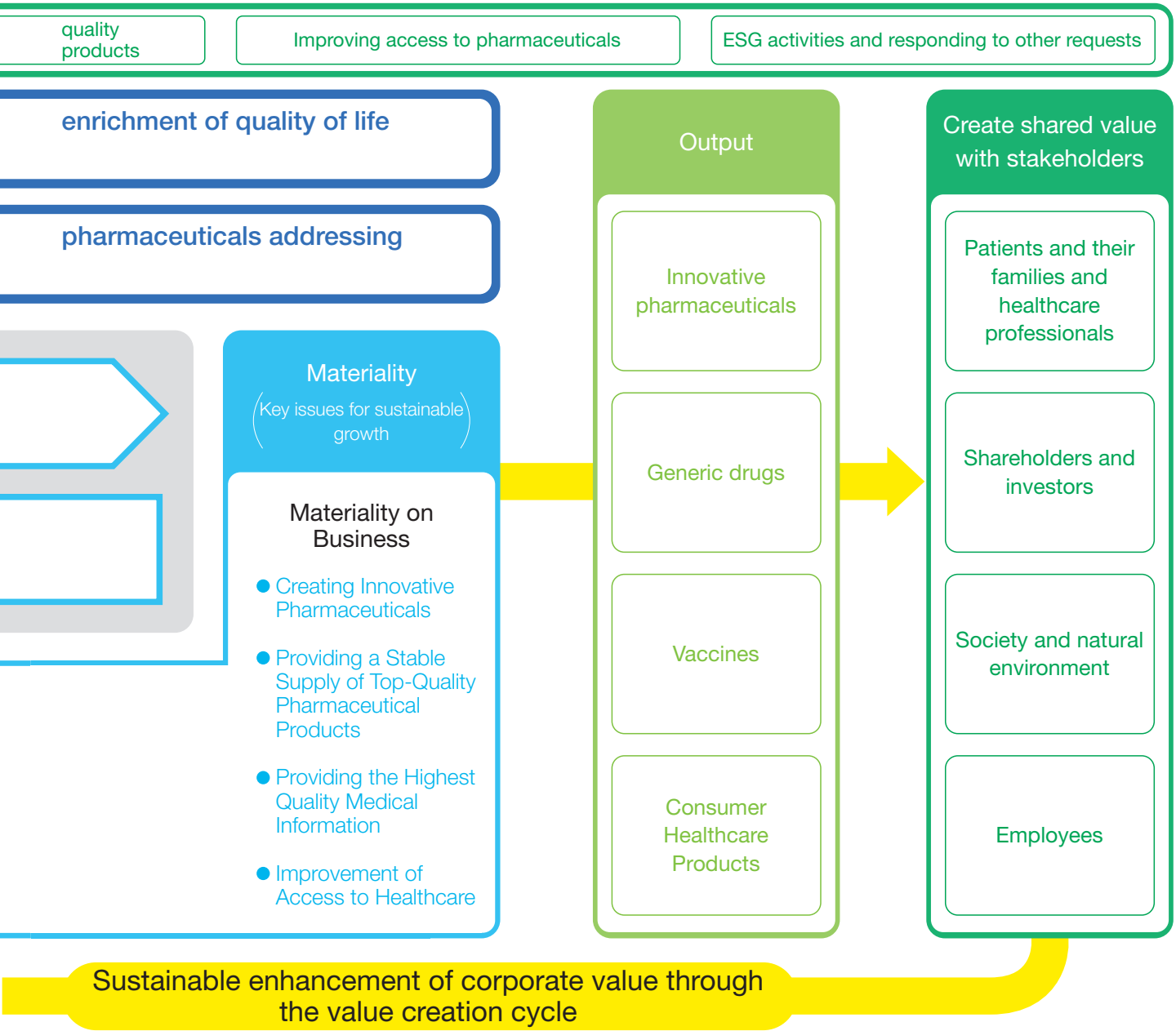
Contributing to healthcare by delivering top-quality pharmaceutical products that fulfill unmet medical needs as well as accurate information

Generic Business

Contributing to national medical care in the super-aging society with our generic drugs including authorized generics

capital to create another value, which will further enhance our value creation capabilities. We aim to achieve sustainable development together with society by continuing this cycle of our value creation process, and sustainably improve our corporate value.

Our greatest strength underlying this value creation process is “Science & Technology,” which we have built up since our founding. With the aim of contributing to the enrichment of quality of life around the world, we have developed business models leveraging our Science & Technology and have identified key issues for sustainable growth as Materiality. In the following sections, we will examine how our strength in Science & Technology is established and introduce how to create value through our efforts around Materiality.



Vaccine Business

Contributing to the enhancement of the environment surrounding preventive care and the improvement of health and hygiene by promoting the creation and stable supply of vaccines

Consumer Healthcare Business

Contributing to improving the quality of life (QOL) of people who wish to be healthier and more attractive mainly through OTC drugs, skin and oral care products, etc.

The Source of Value Creation—Strengths in Science & Technology

We have been delivering many revolutionary, in-house developed products to patients all over the world, while fulfilling our purpose, "Contribute to the enrichment of quality of life around the world." Our aim has always been to safely deliver drugs to patients as quickly as possible. We create new drugs by combining all of our people's passion and utilizing our strength in Science & Technology. This is the source of our value creation.

Here, we introduce our strengths in Science & Technology, as the source of value creation, from the following three aspects: Organizational culture and talent that nurture drug discovery capabilities, cooperation organically connected with science, and global R&D in the future.

Organizational Culture and Talent That Nurture Drug Discovery Capabilities

Daiichi Sankyo's proprietary ADC Technologies

Enhertu®, an anti-cancer agent DS-8201, is Daiichi Sankyo's product that symbolizes our high level of scientific assessment capabilities and technological capabilities to refine drugs. *Enhertu* received priority review and breakthrough therapy designation*1 from the U.S. Food and Drug Administration in August 2017 for its first indication, third line treatment of HER2-positive breast cancer. We obtained marketing approval for *Enhertu* only two months after the application. In January 2020, we launched *Enhertu* in the U.S. ahead of other countries. After that, we launched in Japan in May 2020 and in Europe in February 2021. For gastric cancer, SAKIGAKE designation*2 was granted in Japan in March 2018, and indication for third line treatment of HER2-positive gastric cancer was approved in September 2020. In the U.S., breakthrough therapy designation was granted in May 2020, and the indication for second line treatment of HER2-positive gastric cancer was approved in January 2021. We are successfully obtaining approval for additional indications and expanding marketed countries through our strategic collaboration with AstraZeneca.

Our proprietary technologies used for *Enhertu*, an antibody drug conjugate (ADC)*3, are the product of research in which hundreds of compounds were made and tested by screening and optimizing over hundreds of combinations of antibodies, linkers, and payloads to address issues that were identified back then. It was no coincidence that Daiichi Sankyo was able to launch *Enhertu* in only ten years (which is relatively short period for the development of pharmaceuticals) after a research team with an objective to develop ADC technologies was officially organized in 2010. This is an example that our strategies to develop competitive products succeeded based on our strengths in Science & Technology ("S&T") that have been accumulated for many years. We also established our proprietary ADC technology platform *4 that is helping us create new ADCs after *Enhertu*.

*1: A system in the U.S. that expedites the development and review of medicines that may be more effective than existing therapies in treating serious diseases.
*2: Items designated by the SAKIGAKE designation system. The SAKIGAKE Designation System is a core measurement of the "Strategy of SAKIGAKE" (formulated by Ministry of Health, Labor and Welfare and released on June 17, 2014). The system aims to lead the world in the practical application in Japan of innovative pharmaceuticals, medical devices, in-vitro diagnostics, regenerative medicines, etc. The system's objective is to designate medical products including pharmaceuticals and regenerative medicines that have the potential of prominent effectiveness against serious and life-threatening diseases in order to make them available to patients in Japan ahead of the rest of the world. The system designates innovative new drugs that meet certain conditions in the early development phases. The drugs designated are prioritized for consultation and reviews for regulatory approval.
*3: Antibody-drug conjugate is a medication formed by connecting an antibody and drug (small molecule compound) via an appropriate linker. The antibody connects with the targeted protein that causes cancer to deliver the drug directly to the cancer cells, thereby maximizing the anticancer effect while minimizing the body's systemic exposure to the drug. For *Enhertu*, our proprietary ADC technology is used where Daiichi Sankyo's proprietary drug-linker covalently combined with an anti-HER2 antibody. https://www.daiichisankyo.co.jp/investors/individual/cancer/
*4: Daiichi Sankyo has been promoting several ADC projects including 3ADCs (*Enhertu*, *Dato-DXd*, and *HER3-DXd*), using our proprietary ADC technology.

The Source and Driving Force of S&T

Enhertu is the first product utilizing our proprietary ADC technology, which we expect to be the biggest growth engine for us. Typically, research and development of a new drug takes 9 to 16 years, but *Enhertu* only took 10 years to commercialize. This achievement was made as a result of our high level of scientific assessment capabilities and technological capabilities to refine drugs, the source of S&T. As a drug discovery-oriented pharmaceutical company, we have cultivated techniques and experiences of drug development over many years. In addition, we set a strategy to thoroughly differentiate our products from competitors by utilizing our high level scientific assessment capabilities. Based on the techniques and experiences under the strategy, we have been taking advantage of the techniques for refining drugs—technologies originated from craftspersonship.

It takes many years of experience for a researcher to acquire techniques and experiences to find drug development candidates and to refine them. This applies to the researchers who developed our proprietary ADC technologies. They went through a long period of preparation to obtain scientific assessment capabilities through continuous practices in advanced basic

▶ "Characteristics of Daiichi Sankyo's ADC" on pages 71 to 72 of Value Report 2020

Reference https://www.daiichi-sankyo.es/fileadmin/daiichi-sankyo-contents/DS_ES/Value_Report_2020_EN.pdf

▶ Video: Antibody drug conjugates (ADCs) and Daiichi Sankyo's ADC technologies

Reference https://www.daiichisankyo.co.jp/investors/individual/cancer/

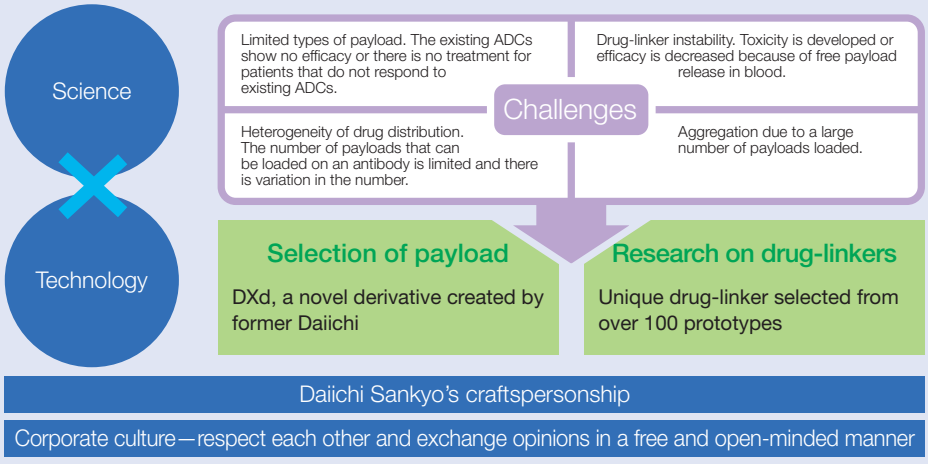
How *Enhertu* Was Developed—An Example of S&T ✕ Driving Force

We started research activities leading to *Enhertu* in the 1990s, dating back to the days of our predecessor companies (Sankyo and Daiichi). These activities were started through bottom-up suggestions from research laboratories and were not then included in each company's key research areas. And it is because of the visionary leaders with strong leadership that we succeeded in the biopharmaceuticals discovery area after establishing Daiichi Sankyo. Our proprietary ADC technologies were based on researchers' bottom-up and self-directed leadership. Later, the ADC technologies were invented and developed by combining our own research insights and research assets of our predecessor companies. In 2013, Daiichi Sankyo established the Biologics Function in R&D to develop and accelerate discovery research and manufacturing technologies for new modalities including biosimilar antibodies and nucleic acid medicines, in addition to ADCs. Before the aforementioned initiative, we worked on in-house development of biosimilar antibodies, which we had to give up from business perspectives. However, know-how in antibody production gained through biosimilar development greatly helped the research and development of *Enhertu*.

With regard to our proprietary research in ADCs, at first, there were some talks that it was too late to start to achieve successful results. Despite those views, people in our research laboratories thoroughly examined ADC literature, eagerly formulated hypotheses against the difficult challenges associated with ADCs (see the figure below) and validated their hypotheses.

To solve the difficult challenges, they focused on the selection of payloads and research on drug-linkers, which turned out to be the key to success. As the payload, we selected a novel derivative (DXd) of the DNA topoisomerase I inhibitor DX-8951, which was created by our predecessor company. The achievement is owing to the fact that we already had sufficient data on DX-8951. This is because we had progressed the development of DX-8951 to clinical trials, although we discontinued it due to safety concerns perspective. One of the reasons we succeeded is that ADCs can reduce the development of toxicity. The drug-linker was selected from more than 100 prototypes. It is unique and has great features where it can be conjugated with various antibodies and demonstrates high stability in human blood.

Our "capabilities of refining drugs" accumulated through research and development of small molecules contributed to the development of our ADC technologies. The technique that refines candidates to differentiate and to optimize them through continuous efforts is what we call Japanese artisans' skills—craftspersonship.



We worked on the development of *Enhertu* with highest priority across the organization as it showed encouraging efficacy in Phase 1 clinical trial. The Biologics Oversight Function established in R&D Unit was upgraded to Biologics Unit. In Japan, a project that aimed large number of workforce re-assignment had started. Outside Japan, we were also making efforts to strengthen and expand the organizations including the development function in the US. We focused on obtaining approval and preparing for the launch of *Enhertu* across the organization, not only in R&D but also in functions like Pharmaceutical Technology, Supply Chain, Quality Assurance, Marketing, Medical Affairs, and Pharmacovigilance. The culmination of all the hard work done across the organization brought the outstanding achievement to obtain marketing approval only four years after starting clinical trials (it takes four to nine years normally).

fields, aiming to develop new drugs needed by patients. Our driving forces to discover innovative new drugs are researchers' passion for drug development, their perseverance of not giving up nor being afraid of failure, and their eagerness for innovations. Going forward, we will give to the next generation the experiences and lessons learned from success and failure as well as the dedication of Daiichi Sankyo to create the best drugs possible so that we can develop pillars of our research that leads to future drug discovery.

R&D Organizational Culture and Talent

For our best-in-class products including *Enhertu*® and *Lixiana*® (anticoagulant), we conducted research aiming to thoroughly differentiate our drugs from existing products. On the other hand, for our first-in-class products including *pravastatin* (cholesterol lowering agent) and *HER3-DXd*, which is under development, research has been conducted focusing on researchers' ideas and imagination to change the Standard of Care (SOC: universally applied best treatment in today's medical practice).

Shinagawa R&D Center

Kasai R&D Center

Major Products in the History of Daiichi Sankyo

The history of the Daiichi Sankyo Group as a pharma innovator goes back to the founding of its predecessor organizations, Sankyo and Daiichi Pharmaceutical. Sankyo started its business with the launch of digestive enzyme *Taka-Diastase* which also appeared in *I Am a Cat*, a novel by Soseki Natsume, while Daiichi Pharmaceutical started with the domestic manufacturing of *Salvarsan*, a therapeutic drug for syphilis, a disease prevalent in Japan at that time. We have continued to produce various drugs needed in Japan, including drugs in the field of infectious diseases. They include *Transamin*, a hemostatic and anti-inflammatory drug listed in the WHO Model Lists of Essential Medicines.

We started global business expansion in the 1980s and promoted the development and launch of new drugs. The launch of antimicrobial agents *Tarivid* and *Cravit* in the field of infectious diseases contributed to the suppression of infectious diseases in Japan as well as in the world. While lifestyle diseases draws attention as a social challenge, we have also developed drugs in the area of cerebral and heart diseases, such as the hypercholesterolemia treatment *Mevalotin*, antihypertensive agent *Olmetec* / *Benicar*, and anticoagulant *LIXIANA*.

On the other hand, we have worked on research and development of new drugs in oncology, the largest unmet medical needs at present, as the top priority area. We successfully launched *ENHERTU*, an innovative new anti-cancer agent that utilizes the Group's proprietary ADC technology, a technology that is garnering much attention, in the United States and Japan in 2020 and in Europe in 2021.

1899

Digestive enzyme ***Taka-Diastase***

1902

Adrenalin, an adrenal cortex hormone agent

1910

Dr. Umetaro Suzuki, a future Sankyo scientific adviser, made the world's first discovery of vitamin B1 (***Orizanin***) in rice bran and established a foundation for the theory of vitamins

1915

Dr. Shozaemon Keimatsu (founder of Arsemin Shokai, the predecessor organization of Daiichi Pharmaceutical) began domestic manufacturing of ***Salvarsan***, a therapeutic drug for syphilis

1921

Began manufacturing of ***Bosmin***, a vasoconstriction/ hemostasis and asthma medicine

1965

Transamin, a hemostatic and anti-inflammatory agent

* The launch year as the Daiichi Sankyo Group unless otherwise stated.

We allow our researchers to work on their individual research in addition to high priority tasks for the entire organization, and senior members encourage them to accumulate a wide range of experience in drug discovery. Our researchers obtain scientific assessment capabilities and scientific intuition through lessons they learn from success and failure as well as discussions with colleagues, while learning the basics of drug development through daily research.

The keys to in-house developed products are our talent and the organizations that bring out the best in them. One of our advantages is that we can hire top students as researchers due to recognition of our high-level research and development capabilities. Every year, we employ many, diverse talent with high level of expertise in a wide range of fields, such as pharmacology, synthetic chemistry, pharmacokinetics, and toxicology. After they join Daiichi Sankyo, we develop them in the organizational culture where people are dedicated to create the best drugs possible. In addition, we develop and enhance talent who support S&T through systems such as programs to gain experience at international academia and research laboratories conducting cutting-edge research; training systems for drug discovery capabilities; and fair evaluation, awarding, and appointments.

In addition, we are proactively hiring people who have a proven track record as researchers in and outside of Japan. In our corporate culture, researchers respect each other as a specialist in science, and exchange opinions in a free and open-minded manner regardless of positions and tenure. This is also one of our major strengths.

Deep Trust in the R&D Organization

A high level of trust from senior management to the R&D organization is one of the reasons we were able to create an organizational culture where bottom-up suggestions are encouraged in research laboratories. Also, R&D leaders grant a wide range of decision-making authority to each research laboratory. In that way, trust from management strongly motivates researchers to obtain good results from organization-wide and individual research activities.

Additionally, we have been maintaining R&D expense ratio to sales (see next page) at about 20% on average since FY2006, which is higher than the average of the industry in Japan at 14%. This is a reflection of senior management's high confidence in our research and development capabilities that are backed up by high level of expertise and accumulated techniques and experiences.

1985
Tarivid, a broad-spectrum oral antimicrobial agent

1989
Mevalotin, hypercholesterolemia treatment

2002
Olmesartan (***Olmetec*** in Japan, ***Benicar*** in the United States), an antihypertensive agent

2010
Inavir, anti-influenza treatment

2019
Tarlige, pain treament

1985
Loxonin, an anti-inflammatory analgesic

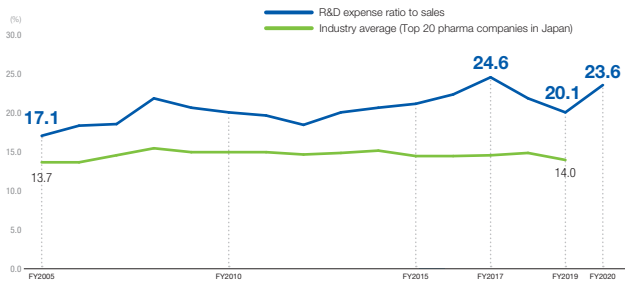
1993
Cravit, a broad-spectrum oral antimicrobial agent

2009
Efient, an antiplatelet agent

2011
Lixiana, an anticoagulant

2020
Enhertu, an anti-cancer agent (HER2 directed antibody drug conjugate)

▶ R&D Expense Ratio to Sales (FY2005 to FY2020)



Source: Ministry of Health, Labour and Welfare, Statistics on Pharmaceutical and Medical Device Industry
Cited from the Japan Pharmaceutical Manufacturers Association DATA BOOK 2021.

Leadership That Guide the Entire Organization to Transform

Leaders of our R&D are required to be science leaders, and to have capabilities for providing strong leadership in managing organizations.

For instance, leaders of R&D need to organize research teams that can maximize the strengths of the individual researchers. At R&D, typical researchers include those with scientific points of view to correctly judge researchers' suggestions, who have high capabilities for coming up with ideas, and who are good at verification through experiments.

We proactively hire leaders from outside. Junichi Koga, former Global Head of R&D, is one of those leaders. His enthusiasm strongly inspired members of R&D, that is: Push the level of biopharmaceuticals in Japan to the global level and realize that at Daiichi Sankyo. The organization smoothly metamorphosed (like an insect that grows with flexibility) so as to focus on research activities with a venture spirit.

Another example is a leader who had experience as a clinician. The leader significantly raised our global clinical development skills through his world-class experience in clinical development strategies for cancer drugs and his enthusiasm to deliver new drugs to cancer patients as quickly as possible.

As described above, R&D leaders from outside brought a new wind to the entire organization. Specifically, we have transformed into a global organization that can quickly achieve goals in clinical development, manufacturing, and product launches in oncology including ADCs.

In our corporate culture, people are flexible enough to candidly accept new ideas, and they respect each other and exchange opinions in a free and open-minded manner.

Cooperation Organically Connected with Science

Researchers Supporting Our Strengths around Research Base

One of the sources that support our research base is a rich pool of researchers who have accumulated diverse expertise in drug development. Recently, there is a trend of outsourcing drug discovery. However, we believe that it is important to retain core technologies internally so that we can maintain and strengthen our research and development platform that lies underneath drug development. We have been developing talent to have diverse expertise in various fields including medicinal chemistry*1, protein engineering*2, drug evaluation, and computational science. This also contributes to demonstrating a high level of scientific assessment capabilities, which is important when discovering drugs using the latest technologies such as Artificial Intelligence, and global drug discovery networks such as external collaboration.

*1: Study to synthesize new pharmaceuticals after obtaining seed compounds for drug discovery through studies on physiologically active substances at the molecular level and high-throughput screening, based on approaches such as structure–activity relationship.
*2: A method of artificially creating new proteins by adding new functions to natural proteins such as enzymes and antibodies that play an important role in our body, or by improving the function of the protein itself.

Clinical Development Driven by Science & Technology

Translational research is an approach that aims to improve the productivity of drug discovery by using outcomes from research into clinical development. We expect translational research to help us to efficiently perform research and development as follows: Information obtained through basic research such as the mechanism of diseases is provided to clinical development. Then, insight obtained through clinical trials and clinical practice are fed back to the research function, which helps in formulating new research hypotheses.

We noticed the importance of this concept early, and in 2009, established Translational Medicine function by integrating groups that are in charge of early phase clinical development and omics research*1. Our Translational Medicine function has expanded since it started with about 50 staff members. Currently, 300 members are involved in this function, including members in the Early Clinical Development Department, Quantitative Clinical Pharmacology Department, and Translational Science Department, as well as the Translational Research Department at Daiichi Sankyo RD Novare Co., Ltd., and our organizations outside of Japan.

In particular, the early-stage development function, which we are focusing on, plays an important role in conducting Proof of Concept (POC)*2 for clinical trials and connecting the project to late-stage development after obtaining POC. If POC shows expected efficacy or better than expected efficacy, late-stage

development can be accelerated by determining appropriate dose, which is key for submission of a marketing approval application. On the other hand, if POC shows no efficacy or the efficacy does not meet the pre-determined criteria, we need to decide whether or not to stop the development as quickly as possible. To achieve this, we assign to early-stage development function the personnel with expertise in development and researchers with long-term experience so that scientific discussions with specialists in research laboratories and external medical institutions can be made more closely.

In addition, Daiichi Sankyo RD Novare established a clinical research laboratory with cutting-edge technologies, where pathological data and omics data obtained from samples from patients are analyzed. Having own clinical laboratories, we can take advantage of cutting-edge technologies to respond to fine-grained clinical needs. This is one of our strengths to conduct high-quality clinical trials.

*1: Comprehensive analysis of the molecules, DNA (genomics), RNA (transcriptomics), protein (proteomics), etc. that make up the cell for the purpose of clarifying life phenomena.
*2: An approach of verifying the efficacy and safety of new drug candidates under research and development in human trials.

Capabilities to Accomplish Clinical Development

To conduct late phase clinical trials quickly and with high level quality, operational capabilities that facilitate global cooperation is necessary. To establish such capabilities, we are working on initiatives for seamless global research and development. Starting from the development phase of a project, we proactively discuss development strategies for the project globally, and use those strategies aiming to increase the probability of success through translational research. Further, we conduct clinical trials based on science in order to implement the development strategies formulated.

In addition, we have capabilities for leading science discussions with regulatory authorities for marketing approval applications, etc., from the patient's perspective with the aim to deliver drugs to patients in each region and country as quickly as possible. One of the examples that demonstrates our strength in quality of clinical trials and flexibility around strategies is when *Enhertu* was approved in the U.S. for gastric cancer with data from a clinical trial conducted only in Asia.

Global R&D in the Future

Our global products, *Enhertu* and our ADCs that follow *Enhertu* are being developed using our proprietary ADC technologies. Development of these ADCs contribute to the growth of our global talent, which are our development base. We have been expanding our R&D bases in Europe. Further, we started to expand our global R&D bases including in China. We are making steady progress in establishing an infrastructure where we can conduct agile development globally.

Additionally, in FY2021, we welcomed Ken Takeshita as our new Global Head of R&D, who has previously demonstrated his skills in the development of many cancer drugs. With him, our research and development entered into a new stage.

R&D leads our sustainable growth as the source of innovation. Under the new Head of R&D, we are further focusing on improving the efficiency of global clinical trials, increasing the speed of decision-making, and developing global talents and next generation leaders, for our growth post 3ADCs. Going forward, we will formulate a unique, global R&D development organization by taking advantage of the strength at each base so that we can capture innovation around the world. At the same time, with our S&T, we aim to continuously discover innovative new drugs that bring hope to patients suffering from diseases including oncology, rare, and CNS diseases.

Global R&D Structure

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 on Business

- Creating Innovative Pharmaceuticals
- Providing a Stable Supply of Top-Quality Pharmaceutical Products
- Providing the Highest Quality Medical Information
- Improving Access to Healthcare

Materiality on Business Foundations

- Promoting Compliance Management
- Corporate Governance Aimed at Fulfilling Our Mission
- Promoting the Success and Development of a Diverse Range of People Who Create Our Competitive Advantages
- Promoting Environmental Management

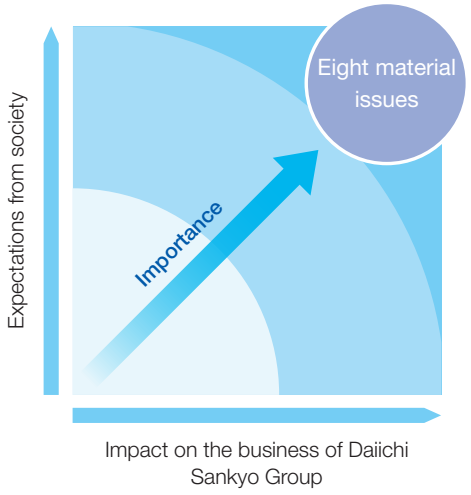
Materiality Identification Process

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)



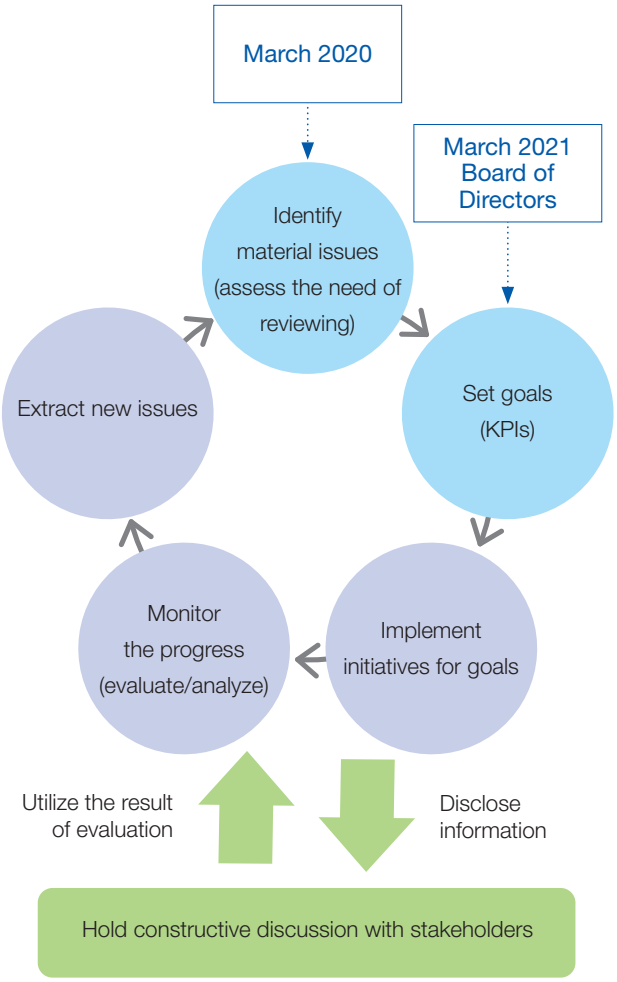
Materiality Management

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.

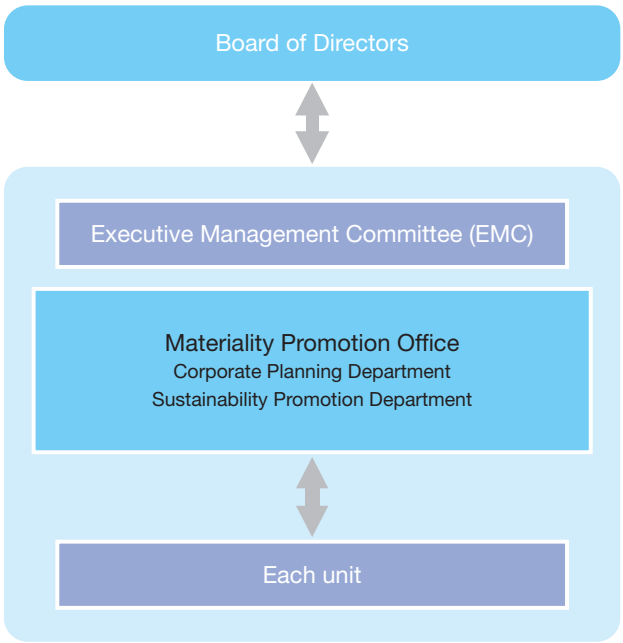
In addition to discussions for setting KPIs, the need to add new material issues or make a change to existing material issues was also discussed among the members of the Board of Directors in light of factors including the impact of COVID-19 on society.

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.



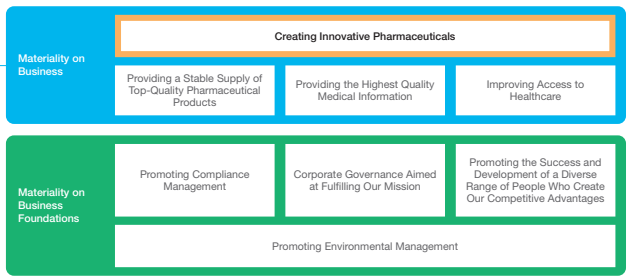
▶ Materiality Management Structure



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

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.

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)
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
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
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

Contribution to SDGs

* 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.

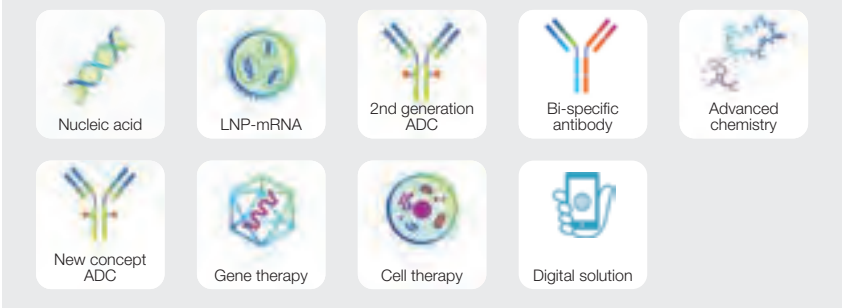
- *DS-1055* (immuno-oncology)
  - Ph1 on track
- *DS-1103* (immuno-oncology)
  - Preparing for FIH (First in Human) study
- Bi-specific antibody
  - Preparing for FIH study

ENA family

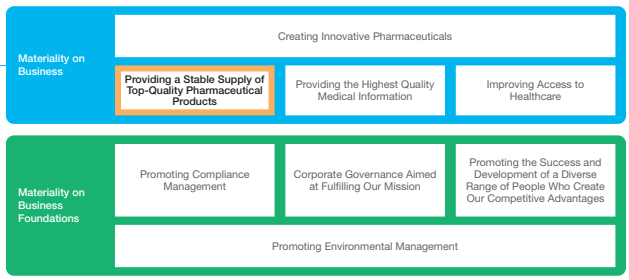
- Multiple projects utilizing ENA technology
  - *DS-5141*, *DS-5144*, *DS-5150*, *DS-5151*, *DS-5153*, *DS-4108*, etc.

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

A Wide Range of Modalities



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.

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

Contribution to SDGs

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

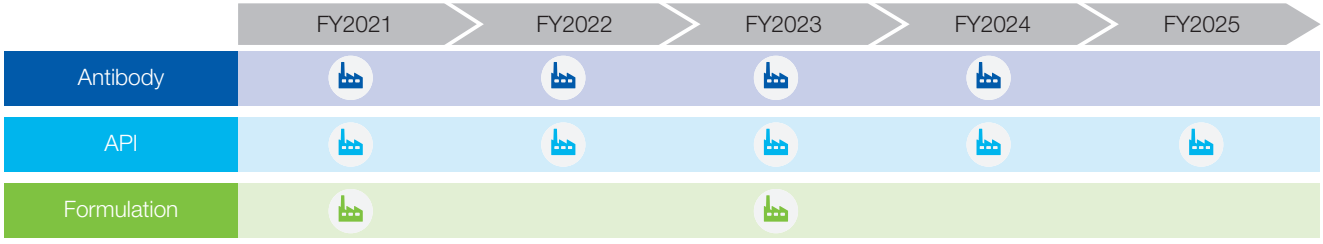
Establish a Global CMO Management System for a Stable Supply of ADCs

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.

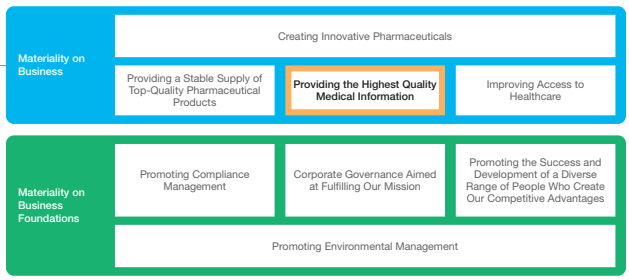
Investment Plan to Strengthen Our ADC Manufacturing System

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.

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

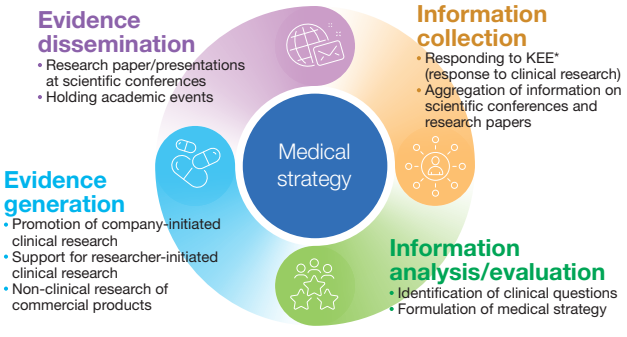
To Generate Highly Useful Medical Information

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

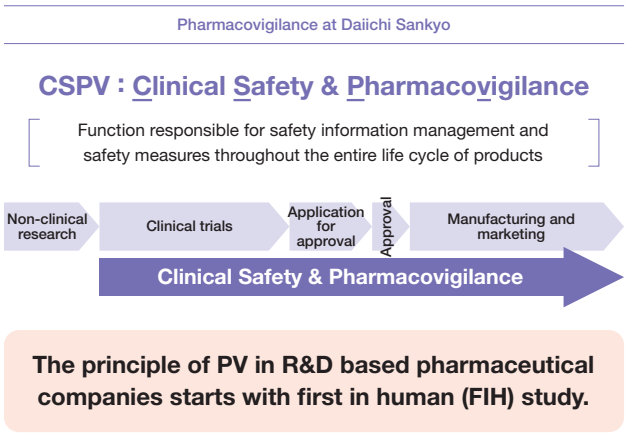
In order to enhance the capabilities to generate and disseminate evidence for *Enhertu* and other oncology products on a global scale, we will strengthen our functions global and Japan locally and engage in a range of medical activities.

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



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,

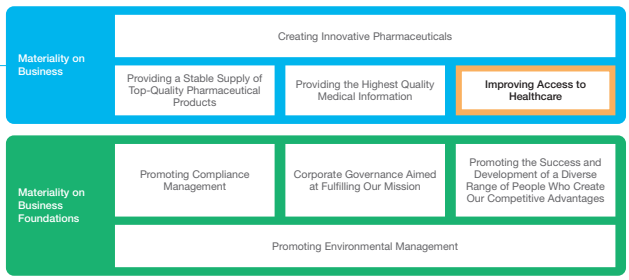
Development of a Clinical Study Data/Adverse Drug Reaction Search Tool (Safety Lake)

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

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*

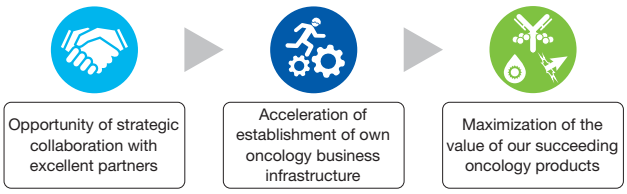
Early market penetration	Acceleration and expansion of development
Cancer types and indications currently under development	Cancer types and indications to be developed in the future
▶ Acceleration of market penetration in Europe and the United States ▶ Early launch in regions other than Japan, the United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

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.

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.

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

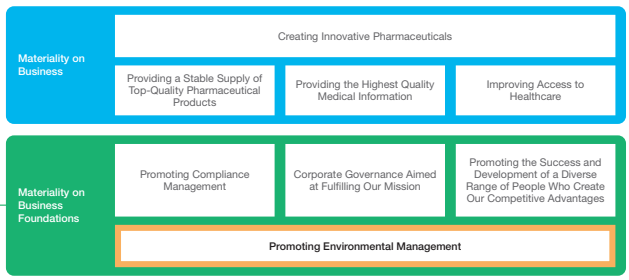
Daiichi Sankyo Biotech has engaged in manufacturing (including vial filling and packaging) the COVID-19 vaccine "Vaxzevria™ intramuscular injection" developed by AstraZeneca. The vaccines were provided to countries in Southeast Asia through the Japanese government and various countries and regions through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

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

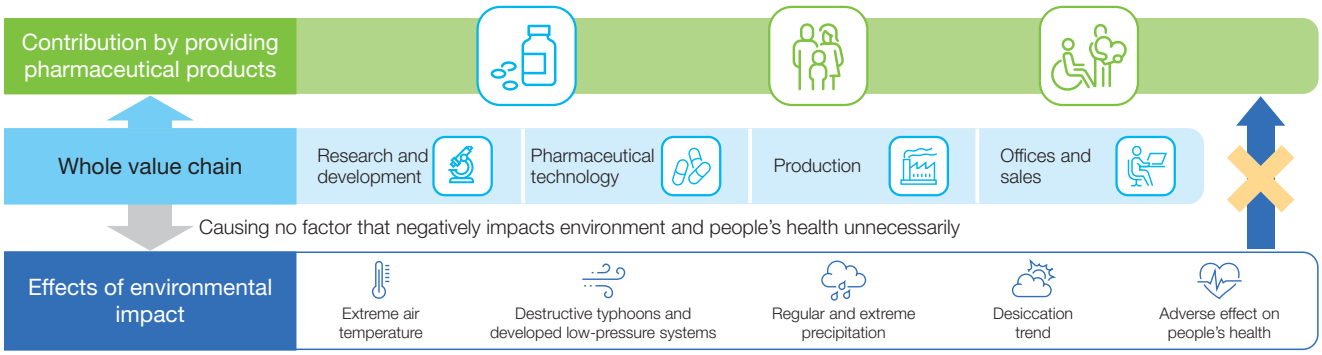
Environmental issues such as intensifying weather-related disasters associated with progressing global warming, depletion of natural resources, air/water pollution, and marine plastic pollution are now threats to the sustainable development of society as well as people's health.

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



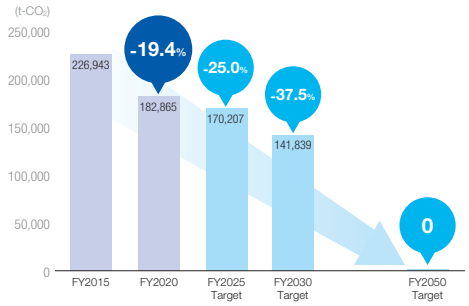
Reducing Environmental Impact and Implementing Advanced Measures for Climate Change

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.

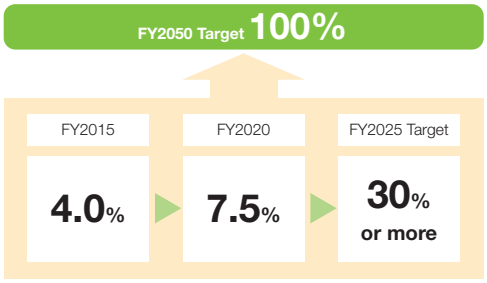
Specifically, we have been working on carbon neutrality through saving energy and reducing carbon emissions in our business activities, while setting early a CO_2 reduction target according to SBTi* toward the accomplishment of the goal of the 2015 Paris Agreement. To accelerate the realization of carbon 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

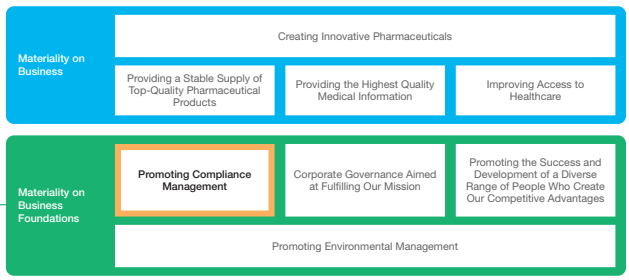


External Evaluations

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.

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.

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)

Contribution to SDGs

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

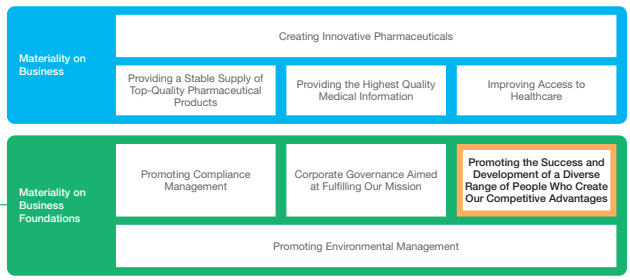
The Group has been included in the DJSI World Index, ESG indices managed by S&P Global to evaluate the sustainability of a company, for four consecutive years. We received the highest appraisal in the item "Code of Business Conducts."

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.

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

Contribution to SDGs

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

Major Initiatives

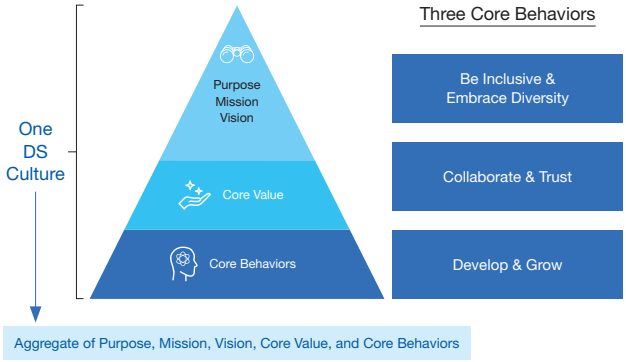
- Promotion of women's professional development and advancement
  Percentage of new female graduates hired in FY2020: 49.5% (108 men and 106 women in total) in Japan
  Percentage of women in managerial positions in FY2020 (Daiichi Sankyo): increased from the previous year by 146.0% (5.0% in FY2019; 7.3% 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

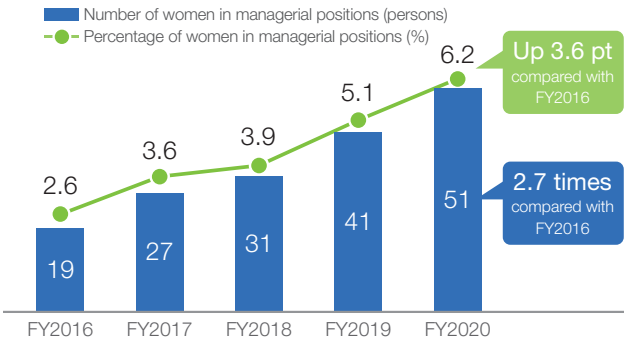
In the 5-year business plan, to deal with globalization and diversification associated with expanding oncology business, we will create a work environment where talents with diverse values are highly engaged and can maximize their potential, aiming to foster our own corporate culture, “One DS Culture.” 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.

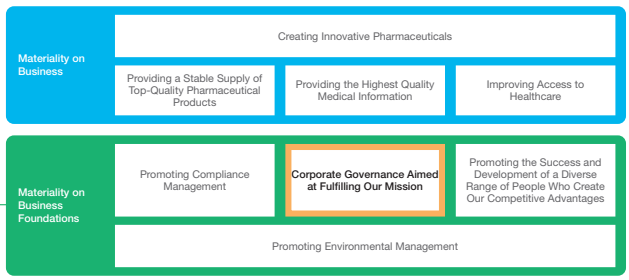
*IBM World Norms 2015–2018 Result data (N: 150,000 people)

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

Social Value Creation

Our initiatives for Materiality create social value, leading to contribution to the Sustainable Development Goals (SDGs) by the Daiichi Sankyo Group of companies. We have organized our Purpose, Vision, Mission, and initiatives from the perspective of the social significance of the Group in order to visualize to what extent we have implemented such initiatives and created the social value to realize the Purpose.

With high expectations from society, the Group can make the greatest "contribution to the health of people around the world" which is linked to SDG Goal 3: "Ensure healthy lives and promote well-being for all at all ages." To this end, we will remain committed to Goals 9, 12, and 17. In addition to our endeavor to meet the growing societal demand for "contribution to environmental load reduction" in an effort to promote environmental management, we will work on Goals 5, 8, 10, and 16 as a corporate citizen to support business foundations.

Purpose: To contribute to the enrichment of quality of life around the world

2030 Vision: Innovative Global Healthcare Company Contributing to the Sustainable Development of Society

Continuously create innovative pharmaceuticals and provide pharmaceuticals addressing diverse medical needs

Related Materiality: Creating innovative pharmaceuticals, Providing a stable supply of top-quality pharmaceuticals, Providing the highest quality medical information, and Improving access to healthcare

We will continue to create advanced pharmaceuticals with the aim of establishing innovative treatment and prevention methods to improve human health and transform the standard of care. While considering the economic and market conditions in each country/region, we will approach and work together with stakeholders concerned to improve the availability of pharmaceuticals for patients with insufficient access and help people have better access to healthcare in developing countries. We are also striving to respond precisely in accordance with the regulations and risks in all countries and regions where we operate, in order to combat the issue of counterfeit pharmaceuticals.

For the contribution to SDG Goal 3, we will utilize our social and relationship capital through partnerships and open innovation to take advantage of our strengths in terms of Science & Technology.

We will adhere to the most stringent corporate and regulatory standards, including internationally recognized standards set by Good Manufacturing Practice (GMP) to guarantee the quality of our products, and work on their stable and reliable supply.

To achieve our goal of carbon neutrality by 2050 and, as a healthcare company, proactively reduce the environmental impacts of our business operations and implement advanced climate change countermeasures

Related Materiality: Promoting environmental management

As the impacts of environmental issues, we recognize that changes in the disease structure and concerns about the stable supply of medicines are risk factors for our long-term business foundations. We, as a responsible member of society, will work to reduce the environmental impact in our business activities and engage in environmental measures to build a sustainable society in an integrated manner with our business operations.

We are determined to contribute to Goals 5, 8, 10 and 16 through our Materiality on Business Foundations: "promoting compliance management," "corporate governance aimed at fulfilling our mission," and "promoting the success and development of a diverse range of individuals people who can create competitive advantages."

Promoting compliance management & Corporate governance aimed at fulfilling our mission

Pharmaceutical companies provide medicines that relate to the lives of people. Therefore, high ethical standards are required. Considering the relationship with a variety of stakeholders, compliance forms the foundation of our business activities across the Daiichi Sankyo Group of companies. Therefore, we promote management in which each of our employees behaves with high ethical standards, in addition to complying with applicable laws and regulations. Furthermore, based on the Business Partner Code of Conduct we have developed, we will promote sustainable procurement together with our business partners to execute our social responsibility.
We will also strive to create shared value with stakeholders so that we can realize highly transparent management and live up to the expectations of stakeholders.

Promoting the success and development of a diverse range of people who create our competitive advantages

Human rights is extremely important to our corporate activities and our stakeholders. Therefore, we are determined to observe applicable laws and regulations and focus on promoting respect for and adherence to human rights.
As all of our business operations are supported by human resources, we will continue to promote meaningful work and inclusion & diversity to create an environment where each and every employee can maintain high motivation, exercise their ability and cultivate their talent. Ultimately we aim to achieve mutual sustainable growth of employees and the Company.

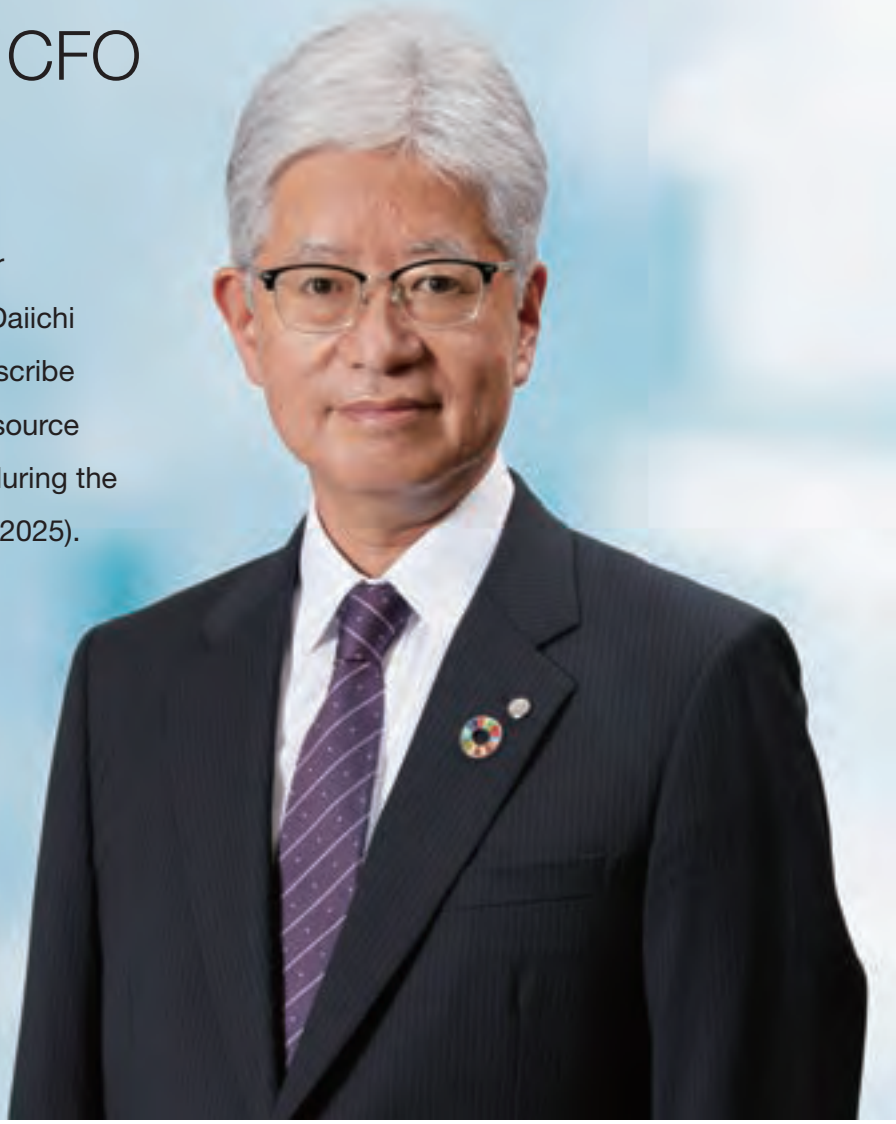
Major Initiatives in FY2020

SDGs	Initiatives	Details of Initiatives in FY2020
	Creating innovative pharmaceuticals	• Cancer treatment *Enhertu* granted conditional approval for HER2-positive breast cancer in EU, approval for HER2-positive gastric cancer in Japan and the United States, and breakthrough therapy designations for HER2-positive gastric cancer and non-small cell lung cancer with HER2 mutation • Exchanged quality assurance agreement with Syneos Health (contract research organization) under the new strategic alliance and monitored the quality of clinical trials by sharing quality issues in timely manner that may impair the safety, the protection of human rights of trial subjects and the reliability of clinical trial data, and promoted proactive quality assurance by ensuring and discussing the appropriateness of corrective and preventive actions • *YESCARTA* intravenous drip infusion, a human somatic cell processed product for treatment of patients with relapsed/refractory large B-cell lymphomas, granted marketing approval in Japan • Made application for marketing approval of oncolytic virus *G47Δ DELYTACT injection* for the treatment of malignant glioma in Japan • Promoted research and development of *VN-0200* as a vaccine to prevent RSV infection which still has no sufficient prevention/treatment methods • Provided investigational drugs with assured quality to homes and neighborhood facilities in Japan, the United States, and Europe to enable continuous treatment of patients who have difficulty in visiting hospitals due to the spread of infectious disease • Continued to examine the establishment of optimal molecular design to mass production methods by leveraging biotechnology toward continuous creation of innovative biologics • Commenced open innovation research on gene therapy for restoring vision with Mitsubishi UFJ Capital and Nagoya Institute of Technology • Started introduction of gene therapy manufacturing technology of Ultragenyx • Entered a research and development collaboration with LYSA-LYSARC-CALYM to study *valemetostat* in patients with relapsed/refractory B-cell lymphoma • Established an integrated data analysis platform that enables intercompany use of data to realize sustainable global partnerships from research and development to manufacturing • Started development of digital solutions in oncology by utilizing cross-sector partnerships • Promoted response to the Cartagena Protocol to handle the first recombinant vaccine (COVID-19 vaccine) in Japan; Acquired confirmation concerning containment measures to be taken in connection with Type 2 Use of Living Modified Organisms from the Ministry of Health, Labour and Welfare, becoming the first manufacturing site handling the vaccine to acquire said confirmation
	Providing a stable supply of top-quality pharmaceuticals	• Made capital investment to increase/streamline production facilities and strengthen/improve the efficiency of research and development. The capital expenditure in FY2020 was 40.1 billion yen. • Updated our business continuity plan (BCP) in line with functions and regional characteristics • Conducted a manufacturer investigation on raw material suppliers to confirm the traceability of 1,660 items manufactured by Group companies in Japan. Conducted a survey of assessment by business partners in about 180 companies to confirm their satisfaction with quality, cost, and delivery time • Launched a COVID-19 task force in Japan, and continued plant operation with stringent infection control measures in place. Achieved stable supply of all existing products • Met the Japan government's request to increase production of seasonal influenza vaccines (in excess of the initial plan) • Responded to the request to increase the production of MR vaccines (measles, rubella) in Japan in anticipation of the 5th regular vaccination and the Tokyo Olympics • Established a system to prevent "mix-up" of samples and products in the entire process flow (patient registration → apheresis*→ manufacturing → transport → storage → administration) and secured a stable supply system of top-quality pharmaceuticals for the launch *YESCARTA intravenous drip infusion* * Medical technology to separate and collect cellular components and liquid factors required in regenerative medicine • Promoted appropriate quality management in the process of manufacturing/quality control and distribution for pharmaceutical products by establishing quality standards complied with GMP (good manufacturing practice) and GDP (good distribution practice) based on the PIC/S Guide (FY2020 Results: No critical findings in 21 regulatory authority inspections across the Group companies) • Developed LCM drugs considering the usability of patients toward inhibition of unused medicines by improving medication compliance (*esaxerenone* OD tablets, *mirogabalin* OD tablets) • Launched generic products in dosage forms not available in brand name drugs by pursuing convenience such as easiness to take to support self-medication of patients and safety and security for healthcare professionals and caregivers
	Providing the highest quality medical information	• Established a quick search system which can integrate data of multiple clinical studies of *Enhertu* and CSR information (Safety Lake) in Japan, and promptly provided healthcare professionals with high quality safety information on such matters as the clinical courses of adverse reactions and the incidences of adverse reactions by patient background • Made presentations at scientific conferences in Japan and overseas, including clinical research data such as data from the observational study ANAFIE Registry targeting patients aged 75 and above with atrial fibrillation in Japan and clinical development study data of *Enhertu*. Actively submitted research papers to journals, with publication of the *Enhertu* DESTINY-Gastric01 study (a phase 2 study in patients with HER2-positive gastric cancer in Japan and South Korea) in The New England Journal of Medicine • Provided both real/digital information to respond to the needs of healthcare professionals that have become increasingly diverse due to COVID-19. Ranked No. 1 for six consecutive years in the survey results on MR evaluation in August 2020 and February 2021 for provision of patient instruction materials responding to customer needs in Japan • Ranked No. 1 for six consecutive years for overall satisfaction and No. 1 for eight survey items for five consecutive years in the external evaluation of insurance pharmacy/pharmacist call centers in Japan • Established an integrated data analysis platform system (OASIS) for the purpose of consistently performing hypothesis verification and new hypothesis creation using genetic information of patients, and made a presentation on the results of translational research analysis using the data of DESTINY-Breast01 in ASCO2020
	Improving access to healthcare	• Made pharmaceutical applications by establishing application strategies in collaboration with AstraZeneca and supplied investigational products to countries where Daiichi Sankyo had no experience of supplying. • The DS-5670 project was selected for the "an urgent improvement project for vaccine manufacturing systems" of the Ministry of Health, Labour and Welfare (MHLW) and vaccine development program (company-initiated) by Japan Agency for Medical Research and Development (AMED) • Manufactured AZD-1222 in Japan as contract manufacturing of COVID-19 vaccine using existing manufacturing facilities in Daiichi Sankyo Biotech Co., Ltd. • Promoted a number of projects, including one to explore clinical candidate compounds for the treatment of Chagas disease, which is considered to be a neglected tropical disease (NTDs), and another to explore candidate anti-tuberculosis drugs from natural products, by utilizing the partnership with the Global Health Innovative Technology Fund (GHIT Fund). Launched screening projects for therapeutic drugs for malaria • Under the contract to participate in the AMR Screening Consortium led by the Global Antibiotic Research and Development Partnership (GARDP) in 2019 and performed screening with the aim of obtaining new compounds with antimicrobial activity using the compound libraries of participant companies

SDGs	Initiatives	Details of Initiatives in FY2020
	Improving access to healthcare	• Made a decision to participate in and contribute US$20 million to the AMR Action Fund, which was established to support the clinical development of new antibiotics and to realize a sustainable antibiotics market (July 2020) • *Enhertu* granted Orphan Drug Designation (ODD) in the U.S. for the treatment of patients with HER2-positive gastric cancer • Obtained marketing approval for *YESCARTA* intravenous drip infusion (received designation as a regenerative medicinal product for rare diseases) in Japan, and made application for marketing approval of *DELYTACT* injection in Japan which received the same designation • Obtained the results of the phase 1/2 study of *DS-5141*, a nucleic acid drug, in patients with Duchenne muscular dystrophy • Non-exercise of patent rights in countries with difficulty in accessing drugs* * Sub-Saharan African countries (excluding Republic of South Africa), Least Developed Countries (LDCs) designated by the United Nations, and Low Income Countries (ILCs) designated by the World Bank • Provided mobile clinic services in Myanmar in collaboration with Plan International Japan, with reducing the mortality rate of newborns and infants younger than five years of age, improving the maternal checkup rate, etc., as KPIs (FY2019–FY2022) • Donated drugs to developing countries through non-profit organization AmeriCare. The total amount in FY2020 was US$12,542,952 (approx. 1.38 billion yen)
	Promoting environmental management	• Reduced CO_2 emissions with telematics that help prevent dangerous driving • Revised our electricity supplier selection process for all the operating sites, and evaluated both renewable energy generation capacity and immediate CO_2 emission factor of electricity operator • Started to use biomass plastic materials for some new product packaging • Used environmentally friendly FSC® certified paper for consumer healthcare products • Promoted the reduction of environmental loads during the drug substance manufacturing process by continuously evaluating environment, energy and other loads from the early stage of development to synthesis process as well as implementing green chemistry-oriented research • Saved resources through efforts such as the streamlining of resources used in manufacturing processes, the comprehensive separation of unnecessary and waste materials, and the reduction of the total volume of unnecessary and waste material. Chose waste disposal firms that recycle thoroughly. • Started to operate a solar system (3.3 megawatts of power output) at the Daiichi Sankyo Chemical Pharma Onahama Plant in December 2020. This system is one of the largest self-consumption photovoltaic systems in the pharmaceutical industry in Japan and is expected to reduce CO_2 emissions by approximately 1,800 tons per year. • Started to install a solar power system at the Daiichi Sankyo Europe Pfaffenhofen Plant • Conducted a scenario analysis to FY2030 based on climate change modelling. Derived our climate-related risks and opportunities from the analysis based on the TCFD Recommendations and reflected them in our environmental targets and plans under the current 5-year business plan. • Developed the Manual on Response to Meteorological Disasters (Torrential Rains, Typhoons, Etc.) That Are Anticipated to Cause Serious Damage to prepare for such disasters worsening in recent years
	Promoting compliance management	• Newly established the Daiichi Sankyo Group Employee Code of Conduct and conducted a global training program on the Code • Conducted Compliance Awareness Surveys targeting all employees in Japan • Started the 2nd CSR Self-Assessment Survey for our major business partners • Introduced an IT system in Japan utilizes external risk data sources in order to quickly identify emerging risks of business partner immediately, and conducted internal training to promote understanding the business partner risk management system. • Established the Daiichi Sankyo Group Privacy Policy as our global basic policy on personal information protection • Established the Daiichi Sankyo Group Quality Policy with the aim of fostering a culture of “Quality First” in the Group and promoting compliance management in order to provide safe and effective pharmaceutical products and the highest quality medical information to people with diverse medical needs • As part of our efforts to minimize procurement compliance risks, we implemented SAP Ariba, a procurement purchasing system that visualizes a transaction process, to increase the transparency of transactions with business partners and further reinforce compliance in procurement
	Corporate governance aimed at fulfilling our mission	• Appointed Outside Director as Chairman of the Board of Directors of Daiichi Sankyo Co., Ltd. (DSC) • Provided the DSC Outside Directors with fuller information to promote their understanding and enable lively discussions at the Board of Directors • Enhanced the effectiveness of the DSC Board of Directors through the evaluation of the Board of Directors • Evaluated the effectiveness of the Audit & Supervisory Board • Established the information governance structure with the CIO responsible for digital strategy and the CISO responsible for information management at the top. Established related global policies: the Daiichi Sankyo Group Information Security Policy and the Daiichi Sankyo Group Data Governance Policy
	Promoting the success and development of a diverse range of people who create our competitive advantages	• Specified “Be Inclusive & Embrace Diversity” as one of the global Core Behaviors in the current 5-year business plan • Set a KPI target of 30% for the percentage of women in senior managerial employees (global) for FY2025. The percentage of women in managerial positions (DS Japan) increased to 7.3% overall in FY2020 (a 132.7% increase from the previous fiscal year). • Implemented e-learning programs for all the employees of Group companies in Japan in September 2020 to promote the understanding of LGBT. Revised an in-house system in October 2020 so that same-sex partners can receive support equivalent to that granted to legally married couples. Applied for the PRIDE Index 2020 organized by “work with Pride,” a voluntary organization, for the first time in FY2020 and received the “Bronze” rating. • Held a career design seminar for all of our employees to cultivate the mindset to develop their career autonomously and continuously. To allow for individual career development, newly established a career support leave system to help employees gain experience and knowledge that are difficult to acquire through their work or experience something new. • Started the “DS Smart Work” initiative in Japan to identify methods of improving productivity and enhancing engagement of each person through reviewing work and ways of working toward the realization of the Group’s vision and sustainable growth in the post-COVID-19 world • Expanded Japan telework system in terms of frequency and place of work in October 2020 to promote flexible ways of working without restrictions of time and place • Provided employee assistance in Japan based on a working conditions survey, conducted online health seminars and management trainings for managers, and other level of employees in Group companies in Japan to prevent decline in physical and mental health as well as workplace communication due to COVID-19

Message from the CFO

I would like to begin by thanking all of our stakeholders for the ongoing support to Daiichi Sankyo. In this section, I would like to describe "CFO's initiatives," mainly focusing on resource allocation and shareholder return policy during the current 5-year business plan (FY2021–FY2025).



Hiroyuki Okuzawa
Director, Executive Officer, CFO

Role as the CFO

I believe that the most important role for the CFO is to optimally allocate resources for sustainable growth of the corporation, as well as shareholder value. We will implement well-balanced resource allocation not only for our growth during the current 5-year business plan but also for building new pillars for growth in FY2026 and beyond.

Well-balanced Resource Allocation on Investment for Growth and Shareholder Returns

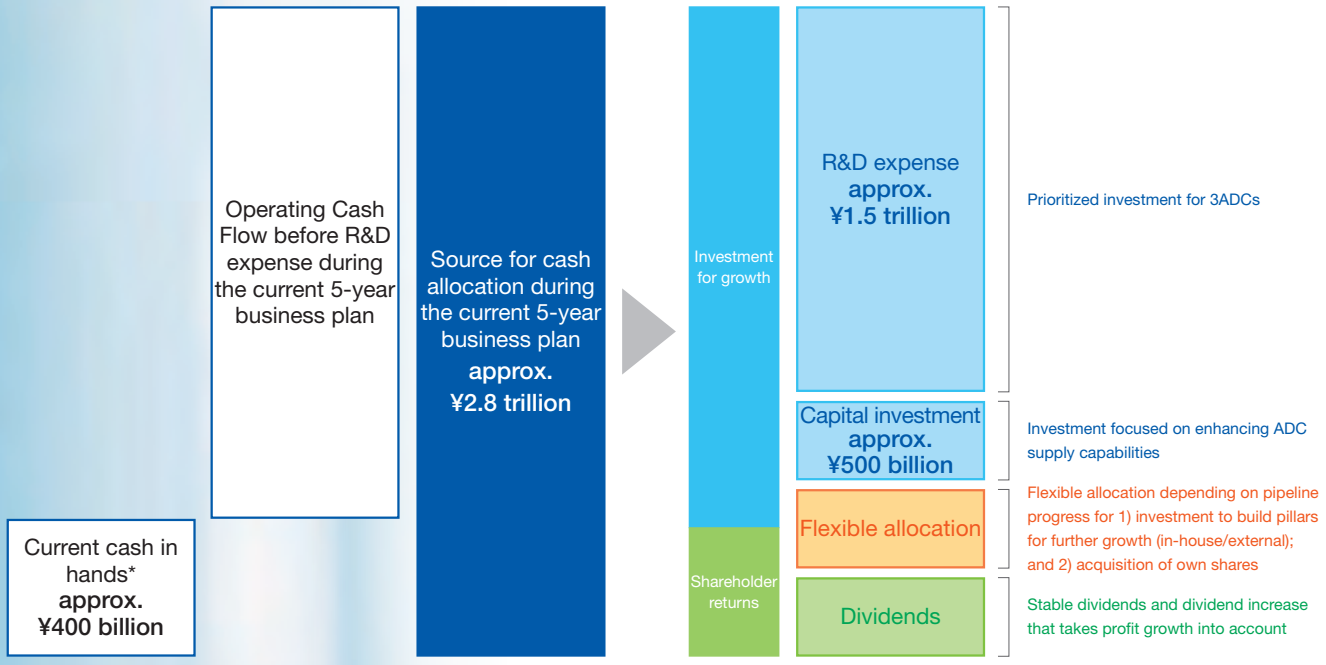
The current 5-year business plan is a roadmap to achieve our 2025 target of being a "Global Pharma Innovator with Competitive Advantage in Oncology" and shift to a stage where we will realize our 2030 Vision of being an "Innovative Global Healthcare Company Contributing to the Sustainable Development of Society." During this period, we will prioritize R&D and capital investments for 3ADCs, our growth drivers, as well as stable dividends and dividend increase taking our profit growth into account.

Adding the planned operating cash flow before R&D expense for the next five years to our current cash in hands, available source for cash allocation during the current 5-year business plan is estimated to be approximately ¥2.8 trillion. Our plan is to allocate approximately ¥1.5 trillion to R&D prioritizing 3ADCs; and to allocate approximately ¥500 billion to capital investment focusing on enhancing DXd-ADC production and supplying capabilities. As for the production and supply of ADCs, we plan to invest in outside contract manufacturing organizations in addition to global in-house manufacturing facilities. Our investment will depend upon the progress of 3ADCs and following DXd-ADCs to build a global supply chain with resilience that can maintain stable supply of products not only in case of rapid growth in demand but also in times of natural disasters, pandemics, and other contingencies.

▶ Latest Information on 3ADCs and Pipeline (IR Library)

Please visit here for further information https://www.daiichisankyo.com/investors/library/

▶ Image of Cash Allocation during the Current 5-year Business Plan



* Cash in hands excluding working capital

Regarding the residual cash after allocation to R&D expense, capital investments, and dividends, we will flexibly allocate our resources to investment around building pillars for further growth, and acquisition of own shares – considering our pipeline progress and the best balance between sustainable growth and shareholder returns.

Strengthening Cash Generation for Growth Investments and Shareholder Returns

We will work to grow profitability of our current business to strengthen cash generation for our growth investments and shareholder returns. Specifically, we will make efforts to grow revenue by mainly focusing on our highly profitable products such as Lixiana, our in-house product which a major investment has already been made, while, in each region, enhancing the transformation to an operating structure that places top priority on profit growth by focusing on products with exclusivity. Additionally, we will achieve further profit growth through additional growth of American Regent and Daiichi Sankyo Healthcare businesses both of which are already making significant contributions to our consolidated profit.

In addition to increase operating cash flow through profit growth in our current business, we will also enhance our total asset turnover ratio by streamlining non-core assets to further generate cash for growth investments and shareholder returns. We are aggressively streamlining cross-shareholdings in accordance with our policy to not hold listed stocks except in cases where holding such stocks will maintain or strengthen long-term business relationship and contribute to improving our corporate value. Accordingly, we sold an aggregated total of 51 stock brands for ¥70.5 billion during the previous 5-year business plan period. Also, going forward, we will work to achieve an appropriate level of cross-shareholding shares from capital efficiency perspective. We also sold properties

worth ¥39.2 billion during the previous 5-year business plan period. We will continue to proceed with sale of non-core assets at the appropriate timing while considering their significance and substitutability for our business activities, as well as their lifecycle costs such as maintenance and renovation costs and our business continuity plan (BCP).

Moreover, in order to make prioritized investment in our ADCs, we sold non-core assets including long-listed (off-patent) products in Japan and Europe and generated cash of ¥53.5 billion during the previous 5-year business plan period. We will continue to streamline non-core assets by reviewing our business portfolio, among others.

Cash Generated by Streamlining Non-core Assets during the Previous 5-year Business Plan Period

(Billions of yen)

		FY2016 Results	FY2017 Results	FY2018 Results	FY2019 Results	FY2020 Results	Total
Reduce cross-shareholding shares	Sale proceeds (Number of stocks sold)	17.3 (14 brands)	14.4 (9 brands)	14.3 (10 brands)	22.0 (12 brands)	2.5 (6 brands)	**70.5** (51 brands)
	Gain on sale*1	9.3	9.8	10.6	14.4	1.1	45.3
Sale of properties	Sale proceeds	3.2	10.7	11.0	14.0	0.3	**39.2**
	Gain on sale	0.8	7.6	9.0	10.7	0.1	28.1
Business divestment	Sale proceeds	1.5	—	10.4	37.1	4.5	**53.5**
	Gain on sale	0.1*2	—	6.3*3	19.1*4	5.9*5	31.3

*1 Recorded in other comprehensive income *2 Bethlehem plant in US *3 Long listed products (JP) *4 Takatsuki plant, Long listed products (JP) *5 Long listed products (JP/EU)

Shareholder Return Policy during the Current 5-year Business Plan

Capital efficiency improvement

- Profit growth driven by 3ADCs
- Flexible purchase of own shares

FY2025 target: **ROE of 16% or more**

Shareholder returns enhancement

- Maintain the current level of ordinary dividends (¥27 per share), and increase dividends in line with profit growth
- Flexible purchase of own shares

- Stable shareholder returns by adopting DOE* based on shareholder's equity
- DOE exceeding the cost of equity

FY2025 target: **DOE of 8% or more**

Maximize shareholder value

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

Shareholder Return Policy

During the current 5-year business plan, we will adopt dividend on equity, “DOE,” based on shareholders’ equity as a KPI for stable shareholder returns. Our target is DOE of 8% or more in FY2025, the final year of the 5-year business plan, exceeding cost of shareholders’ equity. We will continue to aim for maximizing shareholder value.

We consider it essential to examine dividends by taking capital efficiency into account in the current 5-year business plan which is the transition period to a growth stage geared to achieve our 2030 Vision. For this reason, DOE which is an indicator calculated by multiplying the ROE by dividend payout ratio has been adopted as a KPI for shareholder returns.

With increased profitability through the growth of our 3ADCs, and with enhanced capital efficiency through flexible acquisition of own shares, we will aim for ROE of 16% or more in FY2025. I would like to note that the current equity ratio of around 60% is assumed to be maintained to ensure financial soundness.

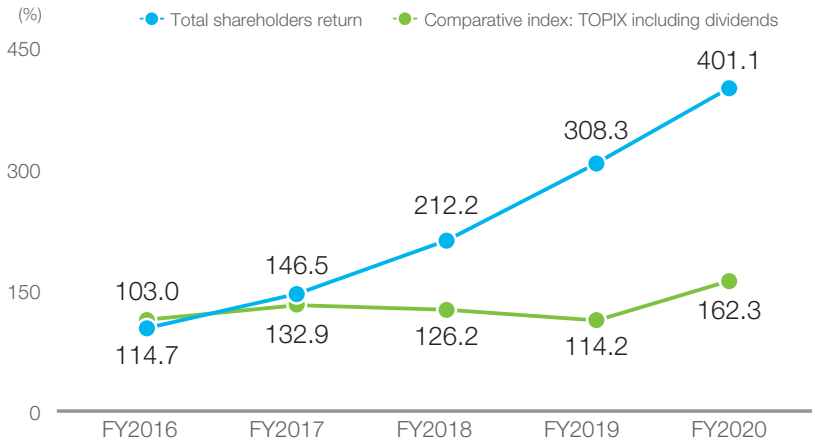
As for shareholder returns, in addition to maintaining the current ordinary dividends of ¥27 per share and dividend increase taking account of our profit growth, we will also flexibly acquire own shares for further enhancement.

Maximizing Shareholder Value

We will manage our business in a way that contributes to an increase in total shareholders return, or the total of dividends and capital gains from a rising share price divided by the investment amount.

Specifically, we will secure DOE exceeding cost of shareholders’ equity by achieving profit growth and distributing dividends that take account of our profit growth. Furthermore, we intend to increase the value of our product portfolio and pipeline through continued investment aimed at sustainable growth, translating into higher corporate valuation in the stock market.

▶ Trend in Total Shareholders Return



* Calculated based on share price and dividend per share after reflecting the 3-for-1 split of common stock effective October 1, 2020

Strengthening Our Ability to Finance Drug Discovery for Sustainable Growth

In the current 5-year business plan, our target is to increase the core operating profit ratio before R&D expense to 40% in FY2025, the final year of the 5-year business plan. Core operating profit before R&D expense can be reworded as our ability to finance drug discovery that secures enough profit to cover both R&D expense for in-house drug discovery and cash to acquire external seeds and technologies for drug discovery.

We will improve the cost of sales ratio mainly through continuous cost reduction and sales expansion of highly profitable products. At the same time, we intend to contain costs by minimizing spending on low ROI expenses and improving the productivity of the entire value chain through DX. In this way, while strengthening our ability to finance drug discovery, we will remain committed to increasing the value of our product portfolio and pipeline in order to maximize shareholder value.

In Closing

As described in the materiality section, we have identified issues to be addressed for sustainable growth considering both the importance of the impact on our mid-to-long-term corporate value and the expectations of society, and have advanced management based on a long-term perspective, reflecting ESG elements in business strategies.

We are absolutely determined to achieve our financial targets for the current 5-year business plan. Furthermore, we will develop our strong financial base that allows us to create shared value with the patients, their families, healthcare professionals, our shareholders and investors, employees and other stakeholders, and will contribute to the sustainable growth of Daiichi Sankyo and the development of society.
I very much appreciate your continued support.

Risk Management

The Daiichi Sankyo Group identifies factors that may prevent the Group from attaining its organizational goals and targets and that can be predicted in advance as risks. The Group is promoting risk management by taking steps to address risks inherent in corporate activities by retaining, reducing, avoiding, or transferring these risks. In addition, we seek to minimize the impacts of risks on people, society, and the Group should they occur.

Risk Management

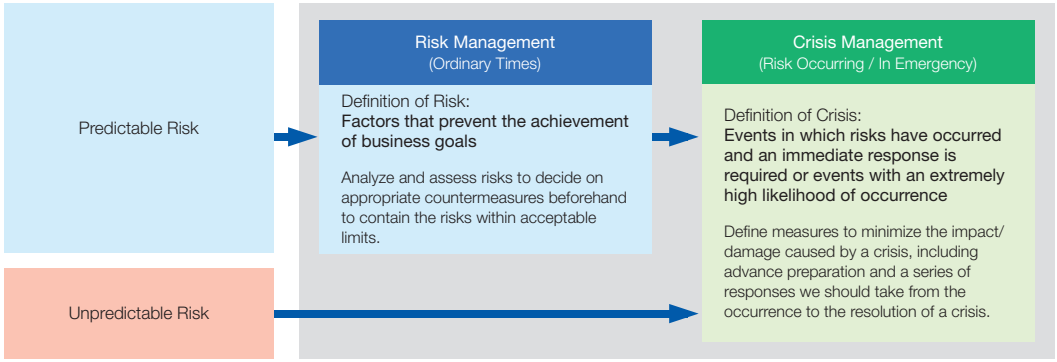
In the Group, the Chief Financial Officer (CFO) oversees Group-wide risk management as the Risk Management Officer (RMO) and promotes risk management in conjunction with an annual cycle of formulating and implementing business plans.

In addition, the heads of each business unit autonomously manage risks to aid in the accomplishment of their units' goals and targets. To this end, they identify risks, formulate and implement countermeasures, and provide employees with information on underlying risks in the organization, education, and insight concerning risk management.

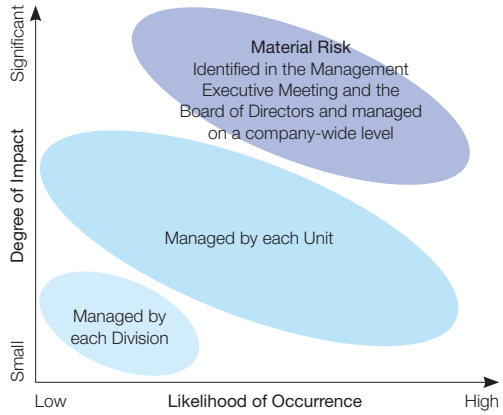
The Risk Management Office assesses the risks identified by each unit from the aspects of their impact and probability.

Risks with the potential to significantly affect the management of the Company are identified as material risks at the Management Executive Meeting and the DSC Board of Directors Meeting (see the conceptual diagram below on the Group's risk level classification). In addition, responsible persons are appointed for each material risk and they implement risk countermeasures in cooperation with relevant organizations. The progress of the risk countermeasures are checked through risk monitoring twice a year and the countermeasures are corrected or improved upon as necessary. Should precursors of the potential occurrence of a material risk be detected, related information will quickly be assembled for the RMO and reported to the CEO.

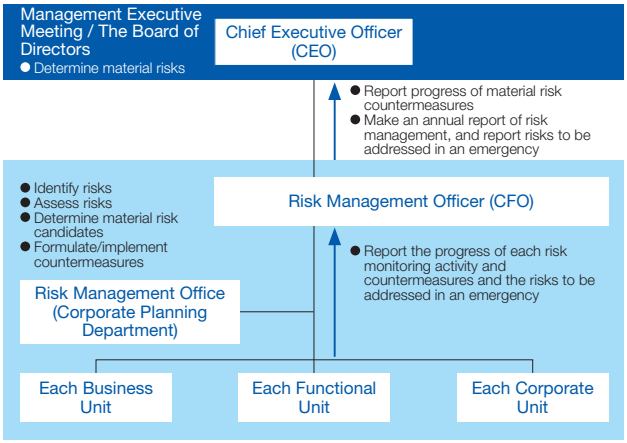
Overview of Risk & Crisis Management



Conceptual Diagram of the Group's Risk Level Classification



Overview of the Risk Management Structure



Major Risks and Their Management

The table below summarizes Major Risks identified by the Group's material risks and management risks at each unit/division. In identifying the risks, the possibility of impact on investment decisions and other similar matters were considered.

Area	Material Risk	Risk Summary	Status of Risk Management
Research and Development / Alliances with Other Companies	✓	For new drug candidates, in particular, *Trastuzumab deruxtecan (DS-8201)* and *Datopotamab deruxtecan (DS-1062)* which Daiichi Sankyo and AstraZeneca entered into a global collaboration to jointly develop and commercialize, potential risks include the discontinuation of the research and development (R&D), changes to approval review criteria and other similar matters that may result in failure or delay to obtain approval, and the terms and conditions of agreements with respect to alliances of R&D may be amended or terminated, among other risks.	• Established and continue to work on a joint executive committee between the Group and AstraZeneca regarding *DS-8201* to formulate a vision and strategy and to manage progress, among others • Manage and reduce pharmaceutical risks through constant communication with the applicable authorities
Side Effects and Quality Issues of Pharmaceuticals	✓	Pharmaceutical products may be recalled or withdrawn from the market due to quality issues or unpredicted side effects. Significant expenses may be incurred in connection with liability for health damage or other similar matters.	• Perform objective assessments, safety reviews, and analysis of safety management information (e.g., information on side effects) globally collected; and deliver information, as appropriate, to the authorities and/or healthcare practitioners • Provide all employees with training in safety management every year
Overseas Business Development		Overseas business operations may bring risks of political instability in certain regions, adverse economic conditions, conflicts with laws, regulations, or other requirements, and deterioration of labor-management relations.	• Appoint persons in charge of risk management at group companies outside of Japan, and collect and share information on a regular basis • When a problem arises, the persons in charge of risk management serve as a centralized contact point for solving the problem promptly in cooperation with local group companies
Manufacturing / Procurement	✓	There is a potential adverse effects of delay, suspension, or other similar issues in manufacturing and procurement due to damage to the Company's facilities, impairment of social infrastructure, or technical reasons, among others.	• Put systems in place to restore operations quickly and to ensure a steady supply of pharmaceuticals with assured quality to help support the continued provision of medical services, in the event of an emergency • Disperse manufacturing and distribution sites, and introduce private electricity generators • Strengthen the IT infrastructure such as having redundant systems
Environment / Safety		There are possibilities that people, both internal and external, can be exposed to chemicals, and soil, air and other pollution could cause adverse environmental impacts. Also, meteorological disasters or global warming as a result of climate change may cause supply chain disruptions, increasing manufacturing costs. As a consequence, these factors would induce adverse effects on a stable supply of pharmaceuticals.	• Established SOPs to manage chemical substances which is including stricter criterion value than regulatory standards, and undertake continued monitoring • Disclose information in accordance with the Task Force on Climate-related Financial Disclosures (TCFD)
Intellectual Property Rights	✓	If a third party asserts that the Group's business operations have infringed the party's patent or other intellectual property rights, there is a possility of facing a lawsuit or otherwise abandoning the business. If a third party infringes the Group's intellectual property rights, there is a possility of filing a lawsuit.	• Create and protect intellectual property to maximize values and minimize risks • Establish a system to minimize the impact of any intellectual property dispute in cooperation with internal and external parties
Litigation	✓	Lawsuits may arise over pharmaceutical side effects, product liability, employment/labor issues, and fair trade issues, among others.	• Minimize legal risks and maximize business opportunities under applicable laws and regulations, contracts, and dispute prevention and resolution • Establish preventive measures to prevent compliance violations as well as strong remediation to address any such violations
Laws, Regulations, and Regulatory Trends to Limit Healthcare Expenditures in Japan	✓	Adverse effects may be caused by administrative measures related to drug price reduction, the healthcare system, and health insurance.	• Revise wholesale prices and rebates in light of NHI drug price system reforms and distribution improvement guidelines • Establish and implement appropriate sales contracts
Breaches of Laws	✓	There is a risk of serious breaches of laws and regulations, including personal fraud by executives and employees.	• Monitor and audit business operations to detect any inappropriate activities as early as possible • Strictly comply with laws and regulations and implement measures to prevent breaches and raise awareness through education, ongoing training, and other similar activities
Financial Market and Foreign Exchange Rate Fluctuations	✓	Adverse effects may result from a sluggish stock market, interest rate trends, or exchange rate fluctuations.	• Reduce cross-shareholding shares • Review the Japanese pension fund asset allocation during the period • Enter into currency hedging transactions
IT Security and Information Management For details, refer to page 44	✓	Network virus infection, cyber-attacks, and other similar events may result in a system shutdown or leakage of confidential information including personal data.	• Appoint the CIO*1 and the CISO*2 to establish a global organizational structure in the information field • Provide employees with continuous information management training • Develop security systems including safeguard function and breach detection/handling function • Strengthen the Group's information security infrastructure and improve its operation
Recoverability of Deferred Tax Assets	✓	Decrease in the amount of taxable income, deductible temporary differences due to tax reform or other reasons, and reassessment of tax loss carryforwards may have adverse effects.	• Review future taxable income as appropriate in light of changes in the business environment and other factors
Securing Talent		There is the possibility that we may not able to sufficiently secure employees with high job performance skills, a high degree of specialization and expertise required for each job as well as digital resources partly due to intensified competition in the recruitment market.	• Enhance planned recruitment activities, and secure talent through a diversity of approaches • Secure and develop human resources through an in-house training
Impact of Spread of COVID-19	✓	Delays of goods in the supply chain and other similar issues caused by the spread of COVID-19 may affect the stable supply of products. In addition, delays in ongoing clinical trials and protocol violations resulting from the uncertainty in clinical settings due to COVID-19 may also impact product value.	• Set up a COVID-19 Emergency Headquarters • Ensure the supply of pharmaceuticals • Continue to manage and modify clinical trials with the highest priority on the safety of subjects

*1 Chief Information Officer *2 Chief Information Security Officer

Crisis Management

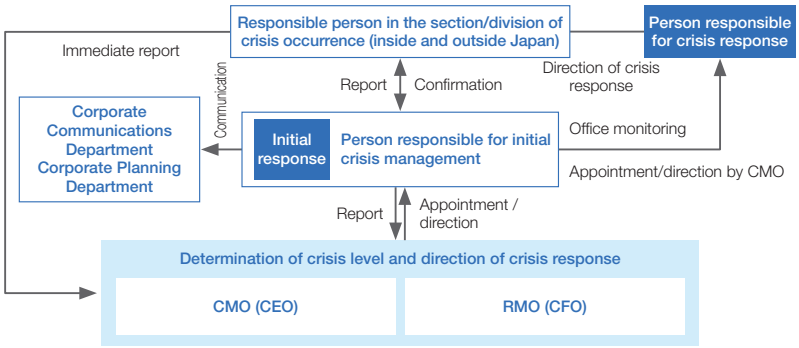
The Group's Global Crisis Management Policy collectively defines "crises" as events that have occurred and require immediate response and other events with an extremely high likelihood of occurrence, among potential risks in business activities. For the purpose of minimizing loss due to the occurrence of a crisis, the policy stipulates basic items related to crisis management.

The Group also has a structure to respond flexibly to crisis depending on the event (disaster, accident, incident including terrorism, scandal, breach of laws, information management-related problem, product-related problem) or the degree of impact of the crisis (see the figure below "Initial Response to Crisis"). We have clearly defined the reporting criteria and lines and established the Crisis Management Officer (CMO), either the CEO or an officer appointed by the CEO, and the person responsible for the initial crisis management (the Vice President of the Corporate Affairs and Procurement). For a crisis with a global impact requiring a group-wide response, we strive to prevent circumstances from becoming worse and to resolve it at an earlier stage by sharing the relevant information with the RMO (CFO) and through prompt and appropriate initial response. After the crisis has been resolved, we conduct an ex-post analysis to prevent a recurrence of the crisis and improve, as necessary, our response protocol.

In response to COVID-19, we established a COVID-19 Emergency Headquarters headed by the CMO (CEO) at an early stage, and work together with other departments to ensure the safety of employees as well as the stable supply of pharmaceuticals.

Basic Policy
In the event of a crisis, crisis management shall be conducted promptly and with certainty to minimize the impact on people, society, and the company with the principle of securing the lives of employees of the Daiichi Sankyo Group companies and related parties and the safety of the local community, and fulfilling the responsibilities of a company that is engaged in a business that affects human lives, and making efforts to ensure business continuity and early recovery from the crisis.

▶ Initial Response to Crisis



Business Continuity Plan (BCP)

* Business Continuity Plan

We have formulated a business continuity plan (BCP) for the Daiichi Sankyo Group companies in preparation for four major threats to business continuity: natural disasters, facility accidents, pandemic of new influenza and other infectious diseases, and system shutdown. Based on this plan, systems are in place to quickly restore operations and to ensure a stable supply of pharmaceuticals with assured quality to support the continued provision of medical services, in the event of an emergency.

- BCP assuming natural disasters and facility accidents

  Based on its experiences following the Great East Japan Earthquake, the Group revised our BCP in 2012. Since then, we have continued to improve upon the BCP through such means as reviewing the list of priority supply drugs for which supply should be prioritized and the disaster response plans at our production sites based on revisions to national disaster response plans and social needs. In this manner, we strive to ensure effective response and cope with the increasingly complex and globalized production and logistics landscape if the thread occurs.

  We have developed and regularly revise the list of priority supply drugs that are used by a large number of patients, that are needed in emergencies, or that cannot be substituted by other drugs. In this way, we have established a system to supply necessary drugs continuously and appropriately if the thread occurs.

  BCP measures are taken for necessary management resources such as facilities, logistics/inventory/personnel, and information from four viewpoints: implementing preventive measures, ensuring diversity, ensuring support measures, and ensuring alternative measures.

- Action Plan for the Pandemic of New Influenza

  To prepare for a global outbreak and pandemic of new influenza, the Group formulated the action plan for the Pandemic of New Influenza in 2009 for the purpose of ensuring the safety of employees and their families and continuing the supply of pharmaceuticals. In response to the recent outbreak of COVID-19, we have taken flexible measures in accordance with the action plan, and, based on the knowledge gained through this experience, we will review the action plan to make it more practical.

Actions for Information Management and Security

Recently, the information management environment has changed significantly, including the rapid increase in sophistication of cyber attacks and the strengthening of information-related laws and regulations in each country. The Group considers that taking actions against risks associated with information management is one of the important matters in corporate activities, partly because opportunities for collaborations with other companies have been increasing. As such, we are strengthening measures globally with regard to information management/security structures while developing regulations on information management and a security system, among others.

Strengthening Information Management Governance Structure

In order to provide stable products and information to patients and other customers, the Group companies are endeavoring to establish a security management system based on ISO/IEC27001.

We have also appointed the CIO responsible for overseeing global specialized function in the information field and the CISO responsible for the confidential information management and the promotion of information security measures in order to prepare policy rules on new digital technologies, laws and regulations, and others.

Unifying Information Management-Related Regulations

For effective and efficient implementation of information management initiatives across the Group, policies and procedures have been standardized among the group companies in Japan. In April 2021, we revised the information security guideline and the information handling guideline to supplement existing rules and serve as practical operational guidelines for employees. We have been maintaining an environment where each employee handles information properly by providing all employees with training in guidelines.

Responding to Cyber Security, Protecting Information Resources

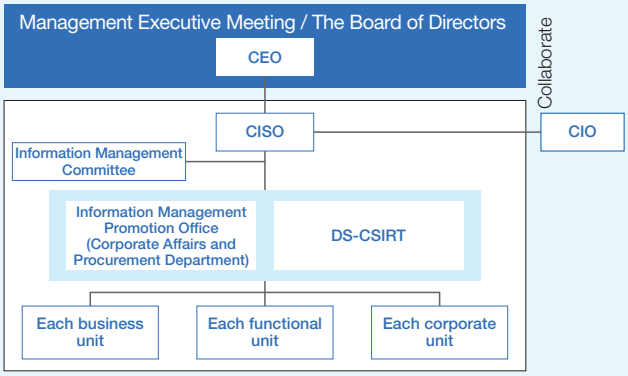
With the aim of taking appropriate measures to deal with the increasing threat of cyber security attacks, the CSIRT* has been established under the leadership of CISO to continuously engage in improving information security not only within the Company, but also outside the Company.

In order to strengthen measures against cyber attacks on IT systems, among others, we are promoting the reinforcement of information security infrastructures such as, for example, safeguard function and detection/handling function and the improvement of infrastructure operations to raise the level of measures globally.

We believe that the vigilence of all employees is essential to respond to security issues and protect information resources. With this in mind, as part of the information security education activities for employees, which are conducted according to the situation at each Group company, we continue to conduct e-learning about information security as well as awareness-raising and reminding staff about targeted e-mail attacks and other cyber threats.

* Computer Security Incident Response Team. An organization that deals with computer security in an enterprise or the like.

Overview of the Information Management and Security Structure



Toward Realizing Value Creation and Business Continuity through the Information Management

Hironobu Furuta, CISO

Developing Information Management/Infrastructure to Improve the Corporate Value

For further improvement of corporate value, we are recognizing that appropriate information management is one of the key management issues. Accordingly, we have worked on creating a mechanism for safe and secure use of information by setting the basic policy on information management as well as developing rules and guidelines. In addition, by regularly educating employees and taking steps on the use of cloud-based services, we are improving information literacy and information-related ethics of each employee so that they can have a correct understanding of information security. Furthermore, with cooperation with CIO, we are stepping up efforts to ensure information security, indispensable for promoting DX* as a part of the business strategies of the entire Company and each organization.

* Digital Transformation

Business Continuity through Cyber Security Measures

The information management landscape has been changing drastically in society partly due to the rapid increase in sophisticated cyber attacks. Colleagues across the Group companies possess important information which is confidetnail to DS and also our business partners. This is, in part, true because opportunities for collaborations with other companies have been increasing. Therefore, ever-tighter management of information is required. Given these circumstances, the Group companies have adopted stricter cyber security measures with the following five functions in mind and strives to secure business continuity by actively grasping and responding to risk factors like information leak.

- Identify— Gathering information on and recognizing threat to information security
- Protect— Reducing the likelihood of threat occurrence
- Detect— Detecting incidents as early as possible
- Respond— Preparing an incident response plan, and reducing the impact
- Recover— Developing system recovery procedures

The CSIRT also promotes initiatives aimed at dealing with the threat of cyber attacks in cooperation with a variety of organizations including those in the same and other industries and public institutions. The CSIRT is to contribute to improving security not only within the group of companies, but throughout society.

Special Feature

Business Model Powered by DX and S&T

As an innovative global healthcare company, we will contribute to healthcare transformation through excellent use of data and digital technology

The Daiichi Sankyo Group aims to further improve the value provided to patients by building a total care platform. With the platform, we offer an individual the best healthcare solutions by using our drug discovery platform and digital technologies during their lifetime.

Masahiko Ohtsuki

Director, Senior Executive Officer, Head of Digital Transformation Management Unit, CIO

The Daiichi Sankyo Group aims to provide new value to patients through the total care platform as shown in the figure on the right. We acknowledge that such a platform cannot be built only by pharmaceutical companies. For the platform, we need an ecosystem where various stakeholders collaborate, including individual patients, medical institutions, data providers providing real-world data*1, and IT companies providing the latest digital technologies.

We intend to collect data including individual's vital signs, behavioral information, medical checkup information, medical records, and real-world data, and analyze such data with the DX platform built by combining systems in and outside the Company. For the analyzation, medical and healthcare expertise as well as the latest digital technologies are required.

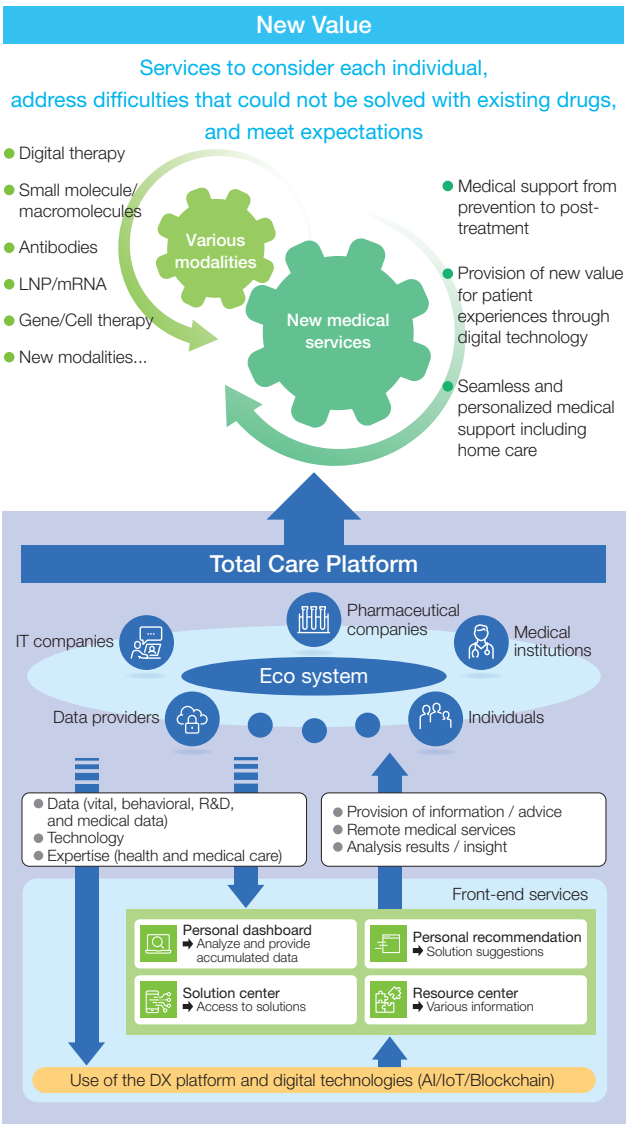
We also plan to build front-end services*2 so that the analyzed results can be fed back to individuals as visualized health information and therapy suggestions. In addition, when providing digital therapy, the front-end services allow users to access various information including their treatment data.

With these initiatives, we will provide new value to each individual, address difficulties that could not be solved with existing drugs, and meet expectations.

Going forward, we will introduce digital therapy as a new modality and also develop new medical services, including medical assistance from prevention to post-treatment.

*1: Services that customers use by directly accessing them
*2: Clinical information in actual medical practice

Creating Our New Value through DX



Pursue Total Care for Cancer Patients

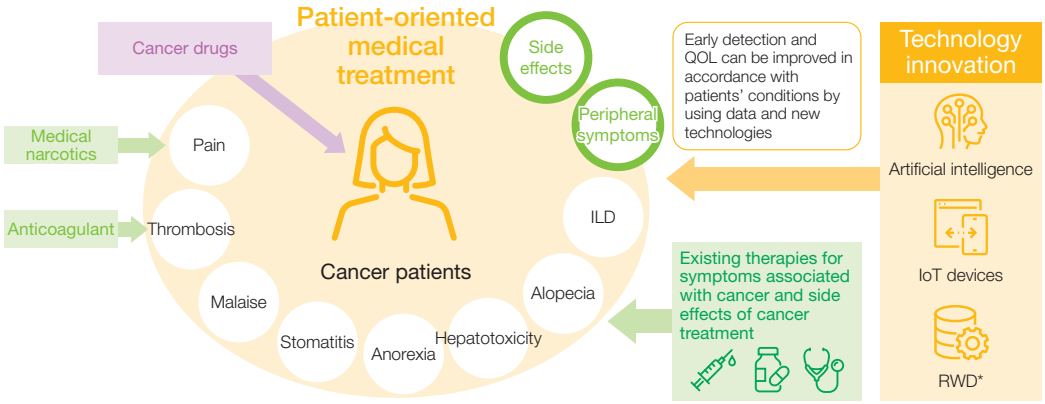
Daiichi Sankyo is developing our business with the goal of "Global Pharma Innovator with Competitive Advantage in Oncology." As the first initiative to build a total care platform as mentioned earlier, we are focusing on "Total care for cancer patients." For cancer treatment, innovative cancer drugs are required. At the same time, it is important to continue the treatment with cancer drugs at an appropriate dosage and time period while sufficiently managing symptoms associated with cancer and side effects of cancer treatment.

In recent years, early supportive care and palliative care have attracted worldwide attention. As an initiative for optimal cancer treatment, we are taking an approach to make the most out of digital technologies so as to maximize the potential of drugs. Specifically, we started to develop digital therapeutics that monitor the side effects of cancer treatment and symptoms associated with cancer, together with CureApp, Inc., which has experience with developing digital therapeutics covered by public health insurance.

With the app, we intend to manage symptoms associated with cancer and the side effects of cancer drugs. This will contribute to early intervention and prevention, and as a result, it is expected to increase efficacy in treatment, maintain and improve patients' QOL (Quality of Life), and improve the prognosis.

Going forward, we will pursue total care that provides each cancer patient with optimal modality solutions including digital technology while as a medical partner.

▶ Initiative of Optimized Cancer Treatment



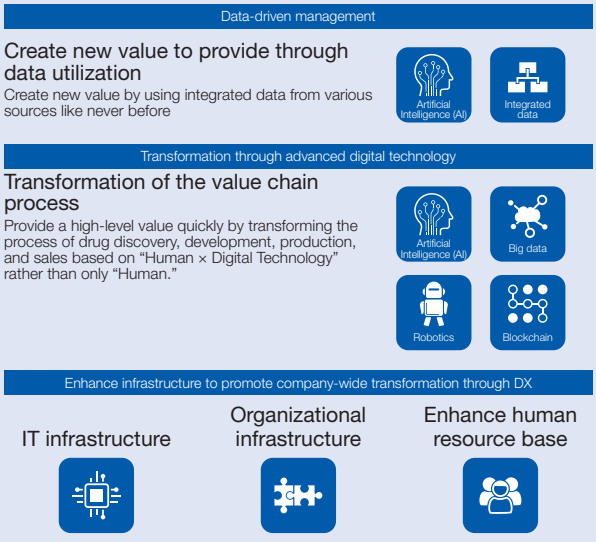
* Real-world data

DX That Supports Strategy Pillars for the 5-year Business Plan

We will facilitate data-driven management by integrating various data collected by departments including drug discovery, clinical development, production, and corporate units, and analyzing such data along with data from outside the company.

With new digital technology, we will transform the business process of the value chain and improve business efficiency so that we can spend more time on work that should be done by humans.

To advance digital transformation, we will enhance infrastructures such as IT, organizations, and human resources.



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.

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 DJSI[*1], FTSE[*2], and ATM[*3] 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 (idenfied 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	• 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	• 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	• 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	• Inquiries and comments from preparatory meetings with Outside Direcotrs 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.	• Implementation of initiatives as follows for enhancing Outside Direcotrs 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.

❶ Increased efforts to aim to ensure Corporate Governance most suitable for the Company
❷ Enhancement of Board of Directors' oversight functions for the oncology business and international business
❸ Further enhancement of discussions at the Board of Directors
❹ 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.

Corporate Governance

Changes in the Corporate Governance Structure

The Group promotes corporate governance with the aim of fulfilling our mission. We place emphasis on having a management structure capable of responding with speed and agility to changes in the business environment, and ensuring a corporate governance structure whereby we can secure legal compliance and management transparency, strengthen the oversight of management and how we conduct ouroperations, and respond to the trust of our shareholders and other stakeholders.

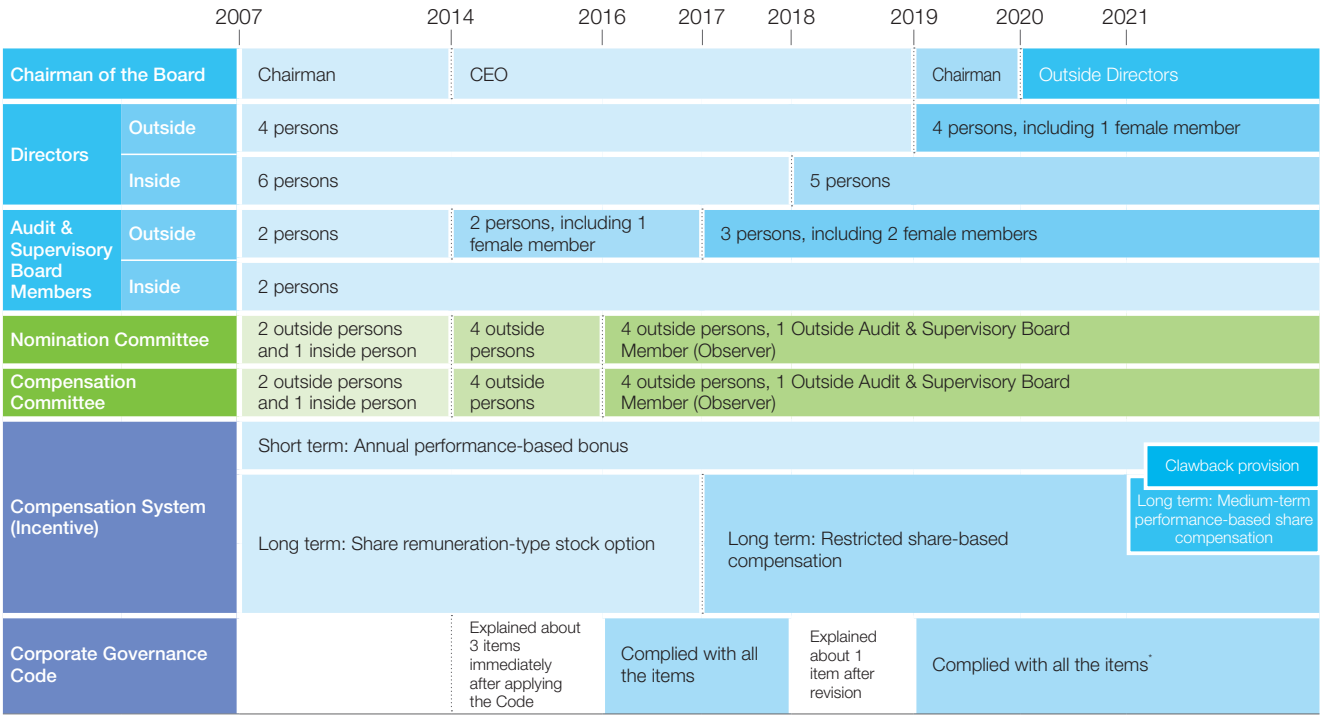
Since the merger of Sankyo Co., Ltd. and Daiichi Pharmaceutical Co., Ltd. in 2007, Daiichi Sankyo has established the Nomination Committee and the Compensation Committee as voluntary committees.

A female director has been appointed as a Director in 2019. With the aim of promoting the separation of execution and supervision and increasing the transparency and supervisory function of the Board of Directors, an Outside Director Outside Director has served as the Chairman of the Board of Directors since 2020.

Through these efforts, we are committed to establishing the corporate governance system for the Board of Directors to make important business decisions and oversee its management appropriately, establishing the internal control system that ensures proper transition of power from the Board of Directors, , and making sure the Board of Directors to improve its function and effectiveness.

Going forward, Daiichi Sankyo will continue to work on enhancing its corporate governance systems, as well as securing and improving the functions and effectiveness of the Board of Directors.

Changes in the Corporate Governance Structure



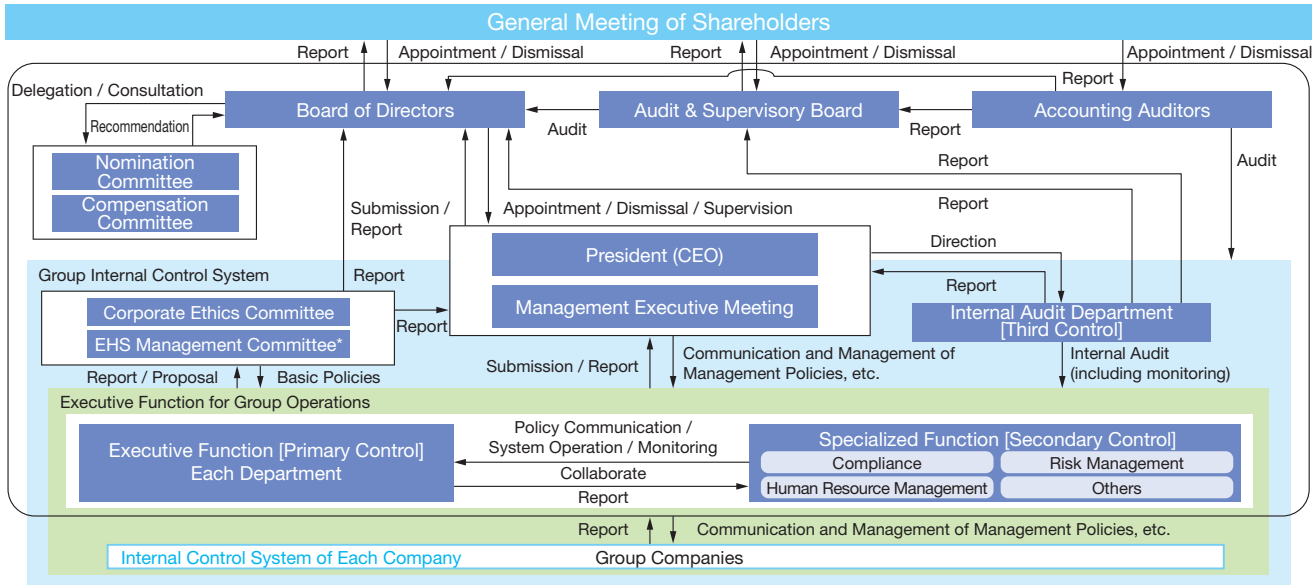
* Complied with all items of Corporate Governance Code including the revision in FY2021

Overview of the Corporate Governance Structure

To clarify Directors' management responsibility and reinforce their oversight of management and the conduct of operations, their terms of office are set at one year, and four out of nine Directors are Outside Directors. Since June 2020, an Outside Director has served as the chairperson of the Board of Directors. To ensure management transparency, the Company establishes the Nomination Committee and the Compensation Committee as voluntary advisory committees to the Board of Directors. These Committees deliberate matters such as the nomination of candidates for Directors and Corporate Officers, successor plan of the CEO, and executive compensation system. These Committees consist of four Outside Directors, and one Outisde Audit & Supervisory Board Member participates in each committee as the observer. The Company prescribes specific criteria on the judgment of independence of Outside Directors and Outside Audit & Supervisory Board Members and basic matters regarding execution of duties by Directors and Audit & Supervisory Board Members.

With the aims of ensuring effectiveness and efficiency of operations, ensuring reliability of financial reporting, complying with applicable laws and regulations relevant to business activities, and safeguarding assets, the Company structures its internal control system to consist of self-monitoring carried out by respective organizations which execute its functions (primary controls), policy development and monitoring for respective organizations carried out by the corporate organization (secondary controls), and internal auditing auditing and monitoring carried out by the Internal Audit Department (tertiary controls).

Overview of the Corporate Governance Structure



* EHS (Environment, Health, and Safety) Management Committee

Nomination Committee, Compensation Committee, and Audit & Supervisory Board

	Nomination Committee	Compensation Committee	Audit & Supervisory Board
Chairman / Chairperson	Outside Director	Outside Director	Audit & Supervisory Board Member
Composition	4 Outside Directors (Observer: Outside Audit & Supervisory Board Member)	4 Outside Directors (Observer: Outside Audit & Supervisory Board Member)	2 Audit & Supervisory Board Members 3 Outside Audit &Supervisory Board Member
Purpose	To make necessary deliberations on the nomination of Directors and Corporate Officers at the request of the Board of Directors and thereby contribute to the enhancement of transparency and supervisory function of management.	To make necessary deliberations on the policy on compensation of Directors and Corporate Officers at the request of the Board of Directors and thereby contribute to the enhancement of transparency and supervisory function of management.	To receive reports on important matters of audit and discuss the matter or make aresolution on it. (However, the Audit & Supervisory Board cannot prohibit an Audit & Supervisory Board Member from exercising their rights.)
Number of meetings held in FY2020	7 times	9 times	13 times

Other Committees

	Corporate Ethics Committee	EHS Management Committee
Chairperson	Compliance Officer (Head of the Corporate Affairs Division)	Chief Executive Officer of EHS Management (Head of the Corporate Affairs Division)
Composition	13 members including 12 internal representatives appointed by the Chairperson and an appointed external attorney, who ensures that the committee operates in a transparent and reliable manner Observer: Audit & Supervisory Board Members and the Vice President of the Internal Audit Department	14 members including corporate offices of the Group companies appointed by the chairperson Observer: Audit & Supervisory Board Members
Purpose	To comply with Japanese and other jurisdictions' laws and corporate ethics and to promote the management of corporate social responsibility.	To establish and operate a management system that continuously improves Environment, Health, and Safety with the aim of minimizing risks and contributing to a sustainable society, based on the recognition that protecting the environment and ensuring the health and safety of our employees throughout every aspect of the Group's corporate activities constitutes key management issues.
Number of meetings held in FY2020	2 times	2 times

Skill Matrix of the Board of Directors

In light of our mid- to long-term management direction and business strategy, we have identified the skills (knowledge, experience, and abilities) that Board of Directors of the Company should have in order to properly exercise its decision-making and management oversight function, aiming to realize the 2030 vision "Innovative Global Healthcare Company Contributing to the Sustainable Development of Society" as shown in the 5-year business plan. (the following table)

When appointing Directors, we consider the diversity and balance of these skills. Audit & Supervisory Board Members are appointed based on the requirements for candidates separately set by the Audit & Supervisory Board.

Requirements for Candidates for Directors

The candidates for Directors shall meet the requirement of being persons of excellent character and insight who contribute to maximizing the corporate value of the Group. The candidates for Directors shall meet the requirements with respect to the term of office and age, and of being suitably competent in performing timely and accurate judgment, looking at the changes in the business environment while giving importance to the continuance of management policies. In addition, the candidates for Directors shall meet the requirements that there shall always be Outside Directors included to strengthen the decision-making functions based on perspectives to strengthen the function of supervising conduct of operations.

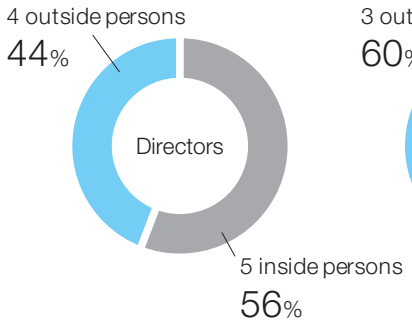
The candidates for Outside Directors shall meet the requirements that they are individuals with expertise, experience and insight in fields including corporate management, finance and accounting, science & technology, global business, sustainability and ESG. We shall confirm that the status of material concurrent positions of candidates for Outside Directors is within a range in which they are able to perform their duties as Directors of the Company appropriately.

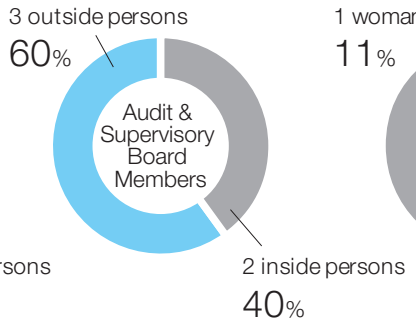
The Company recognizes that ensuring the diversity of Directors particularly in terms of gender, race and nationality as well as incorporating diverse opinions into management are important for strengthening the supervisory function and decision-making of Board of Directors. In furtherance of these principles, the Company will continue to discuss the selection of candidates for Directors based on these perspectives.

	Name	Age*	Outside Independent Director	Significant Past Positions	Term of office	Board of Directors	Nomination Committee	Compensation Committee
Directors	Sunao Manabe	66			7 years	○		
	Satoru Kimura	63			2 years	○		
	Masahiko Ohtsuki	61			1 year	○		
	Shoji Hirashima	60			1 year	○		
	Hiroyuki Okuzawa	58			—	○		
	Noritaka Uji	72	○	Former Representative Director, Senior Executive Vice President, Nippon Telegraph and Telephone Corporation (NTT)	7 years	◉ Chairman	○	○
	Tsuguya Fukui	69	○	Former President of St. Luke's International University Former President of St. Luke's International Hospital	6 years	○	◉ Chairperson	○
	Kazuaki Kama	72	○	Former President, Chairman& Representative Director of IHI Corporation	2 years	○	○	◉ Chairperson
	Sawako Nohara	63	○	President, IPSe Marketing, Inc. (to present)	2 years	○	○	○
Audit & Supervisory Board Member	Ryoichi Watanabe	62			2 years	○		
	Kenji Sato	58			2 years	○		
	Tateshi Higuchi	68	○	Former Superintendent General Former Ambassador Extraordinary and Plenipotentiary of Japan to the Republic of the Union of Myanmar	3 years	○	□ (Observer)	
	Yukiko Imazu	52	○	Partner Lawyer, Anderson Mori & Tomotsune (to present)	3 years	○		□ (Observer)
	Masako Watanabe	59	○	Former Partner, Deloitte Touche Tohmatsu LLC Representative, Masako Watanabe Certified Public Accountant Office (to present)	—	○		

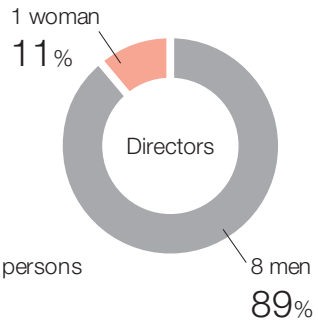
Composition of the Board of Directors and the Audit & Supervisory Board

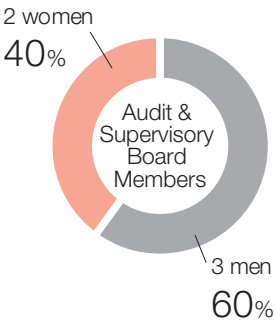
Percentage of Outside Directors





Percentage of Female Members





Overview of the Independence Standards

Our “Independence Standards for Outside Directors” are published on the Company’s website.

Read more here https://www.daiichisankyo.com/files/about_us/governance/index/pdf/DS_CG_20210622_EN.pdf

	Corporate Management/ Managerial Strategy	Finance/ Accounting	Science & Technology	Business Strategy/ Marketing	Global business	Human Resource/ Human Resource Development	Legal/Risk Management	Sustainability/ ESG	DX/IT	Qualification
	●		●	●	●	●		●		Veterinarian
	●			●						Pharmacist
			●		●				●	Pharmacist
	●	●	●	●	●		●			
	●	●		●	●	●				
	●		●	●	●	●		●	●	
			●			●				Doctor
	●	●			●	●	●	●		
	●		●	●				●	●	
	●	●					●			
			●			●	●			
					●	●	●			
						●	●			Lawyer
		●								Certified public accountant

* The ages listed above are as of June 21, 2021 which is the date of the 16th Ordinary General Meeting of Shareholders

Concept of the New Executive Compensation System

The Company has reviewed its executive compensation system in order to set the compensation level that is at the upper level in the industrial sectore, and increase the variable compensation ratio in order to strengthen the incentives that motivate further increase of the value for the Company. Key points of the new compensation system starting from FY2021 are as follows.

Level of compensation

The level of compensation to Directors is set with reference to the level of compensation at other companies in the higher end of the industry, based on surveys of external professoinal institutions. Specifically, the Company will primarily compare companies within the top 100 companies by market capitalization among the companies listed on the Tokyo Stock Exchange, and also refer to the levels of major domestic pharmaceutical companies.

Ratio of the composition of compensation

Prior to FY2020 the compensation of the Representative Director, President and CEO was designed to be 60% for basic compensation, 20% for annual performance-based bonus, and 20% for restricted share-based compensation when the performance goal is achieved 100%. We have introduced medium-term performance-based share compensation to increase the variable compensation ratio.

With the new system, the compensation of Representative Director, President and CEO is designed to be 40% for basic compensation, 30% for annual performance-based bonus, 15% for restricted share-based compensation, and 15% for the medium-term performance-based share compensation when the performance goal is achieved 100%. (See Table 1)

The ratio of the components of compensation to other Directors (excluding Outside Directors) is determined in consideration of the responsibilities and the level of compensation according to that of Representative Director, President and CEO. Compensation to Outside Directors consists only of basic compensation and not bonuses/shares.

Medium-term performance-based share compensation (long-term incentive compensation)

Medium-term performance-based share compensation, which has been newly introduced as a long-term incentive compensation, is a trust-type share compensation system that has the property of a performance share (performance-based share compensation) for the Directors (excluding Outside Directors) and the Corporate Officers as compensation based on the achievement of the performance of the 5-year business plan in order to promote management with an emphasis on increasing shareholder value over the medium to long term.

The indicators for the achievement of mid-to-long-term (see Table 2) includes not only financial indicators but also non-financial indicators such as research and development progress and ESG indicators. The performance-based coefficient is determined within the range between 0% and 200% according to the degree of achievement of those targets.

Clawback provision

Daiichi Sankyo has established a clawback provision that can request a refund of part or all of the compensation received for annual performance-based bonuses and medium-term performance-based share compensation by the resolution of Board of Directors after consultation with the Compensation Committee in the event of a material accounting error, or fraud, or record of a significant impairment loss occurs.

This clause will be applied from FY2021 annual performance-based bonus and the medium-term performance-based share compensation and will be applied for all periods thereafter.

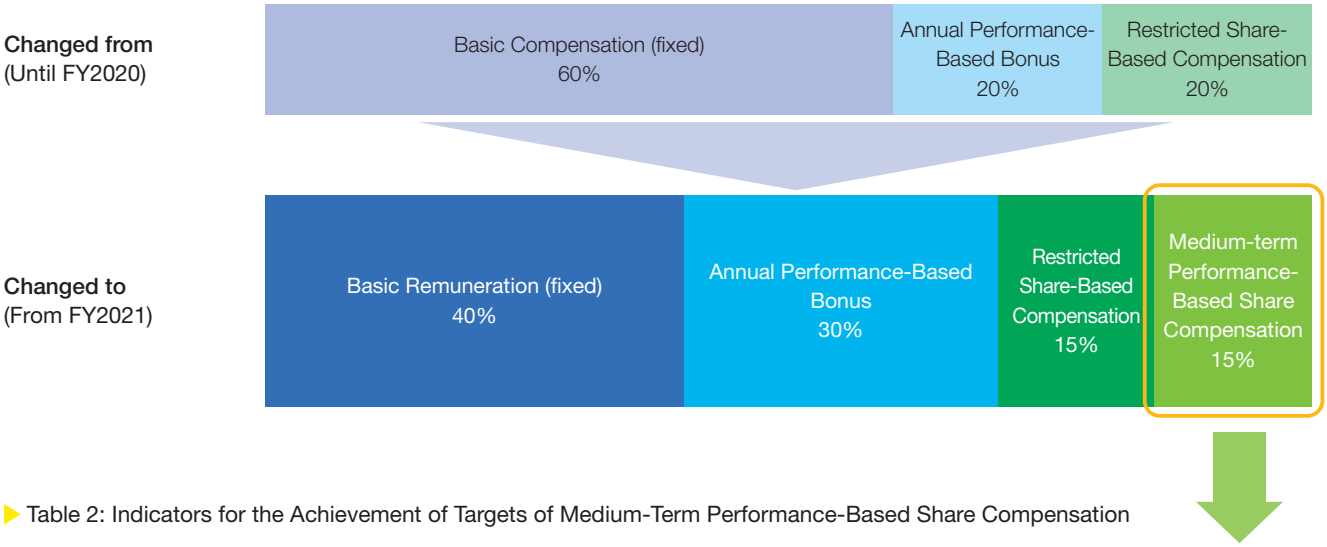
Message from Chairperson of the Compensation Committee

Kazuaki Kama
Outside Director
(Independent Director)

The revision of the compensation system that we had discussed was approved at the General Meeting of Shareholders held in June 2021. Key points of the revision are: (1) Set the compensation level suitable for aiming at the high level in the industrial sector, and (2) Establish a compensation system that can encourage Inside Directors to work on initiatives from short-term and mid-to-long-term perspectives, and appropriately reward them for their efforts. To do this, we have introduced a trust-type, medium-term performance-based share compensation system. In addition, we have established a clawback provision that can request for the refund of part or all of the compensation received for annual performance-based bonuses and the medium-term performance-based share compensation by the resolution of the Board of Directors.

In FY2021, the Compensation Committee intends to exchange views in a free and open-minded manner as before by focusing on follow-ups to ensure the smooth operation of the new compensation system. In addition, as increased disclosure about executive compensation is required, we continue to ensure sufficient accountability to our stakeholders.

▶ Table 1: Changes in the Ratio of the Composition of Compensation to Representative Director, President and CEO



▶ Table 2: Indicators for the Achievement of Targets of Medium-Term Performance-Based Share Compensation

Indicator for the achievement of targets	Evaluation ratio	Evaluation coefficient fluctuation range	Targets (set with the following as a guide)
Revenue	20%	0 – 200%	Upper limit: Target × 110% Target: Expected value announced about 5-year business plan Lower limit: Target × 90%
Core operating profit ratio before research and development expenses	20%	0 – 200%	Upper limit: Target × 120% Target: Expected value announced about 5-year business plan Lower limit: Target × 80%
ROE	20%	0 – 200%	Upper limit: Target × 140% Target: Expected value announced about 5-year business plan Lower limit: Target × 60%
Research and development progress	15%	0 – 200%	Research and development achievements (number of new indications for 3ADC on the market, pipeline value in the early and late stages)
ESG indicators	10%	0 – 200%	Evaluation based on Dow Jones Sustainability Indices, FTSE Russell or Access to Medicine
Relative TSR*	15%	0 – 200%	Upper limit: Comparison result with TOPIX including dividend × 150% Target: Comparison result with TOPIX including dividend × 100% Lower limit: Comparison result with TOPIX including dividend × 50%
Total	100%	0 – 200%	

* Abbreviation for Total Shareholder Returns

▶ Overview of the New Executive Compensation System

Read more here https://www.daiichisankyo.com/files/about_us/governance/index/pdf/DS_CG_20210622_EN.pdf

Policies and Procedures for Appointment of Diretors, Audit & Supervisory Board Members, and CEO and Dismissal of Directors and CEO

The Company has defined policies and procedures for the appointment and dismissal of Directors and CEO as well as the appointment of Audit & Supervisory Board Members. For candidates for Directors, the Board of Directors appoints the candidates after they have been sufficiently verified by the Nomination Committee, which is composed of 4 Outside Directors. For candidates for Audit & Supervisory Board Members, the Board of Directors appoints the candidates after they have been sufficiently verified by the Nomination Committee and then agreed to by the Audit & Supervisory Board. An appointment of Directors and Audit & Supervisory Board Members is referred to the General Meeting of Shareholders. As for candidates for the CEO, they are appointed in accordance with the successor plan, qualification requirement definitions, etc. that have been discussed by the Nomination Committee, and an appointment (including reappointment) of the CEO is determined by the resolution of the Board of Directors following the sufficient deliberation and the subsequent recommendation by the Nomination Committee.

If any Director is found not to meet eligibility requirements or requirements for execution of duties defined in the Companies Act or the Directors Regulations, following deliberation at the Nomination Committee and Board of Directors, the General Meeting of Shareholders shall deem that it meets criteria for dismissal of Directors, and resolve dismissal of such Director after the relevant proposal. Dismissal of CEO shall be called into account in light of the Companies Act, defined CEO eligibility requirements or requirements for execution of duties, and determined in the same manner as appointment, by resolution of Board of Directors over a recommendation from the Nomination Committee that the Committee submits after sufficient deliberation.

Message from Chairperson of the Nomination Committee

Tsuguya Fukui
Outside Director
(Independent Director)

The Nomination Committee discusses matters including appointment of most executives and make recommendations to the Board of Directors. The committee consists of four Outside Directors, and one Outside Audit & Supervisory Board Member participates as the observer. In this way, we can ensure fairness, neutrality, and transparency when discussing the appointment of important executives who will take positions that determine the fate of Daiichi Sankyo, including CEO, CFO, Directors, and Audit & Supervisory Board Members. I intend to run the committee with that in mind.

I expect the Daiichi Sankyo's CEO not only to be good at managing of the Company for the coming years but also to continue to have a great dream for the future—to develop new ways to cure diseases of people around the world and improve the health of them even if it would take decades.

Status of Audit by Audit & Supervisory Board

Organization, personnel and procedures of the audit by Audit & Supervisory Board Members

The Company has an Audit & Supervisory Board which is comprised of five Audit & Supervisory Board Members (two Full-time Audit & Supervisory Board Members and three Outside Audit & Supervisory Board Members), which includes one certified public accountant.

To strengthen the audit functions of Members of the Audit & Supervisory Board, four full-time staffers, who are independent of the execution of operations, assist with the duties of Members of the Audit & Supervisory Board.

Activities of the Audit & Supervisory Board and its Members (FY2020)

The Company's Audit & Supervisory Board generally holds meetings one time per month.

Additionally, aside from Audit & Supervisory Board meetings, meetings to exchange views among Audit & Supervisory Board Members are held after the Board of Directors' meetings.

Approximately 120 minutes were devoted to Audit & Supervisory Board meeting, and 15 proposals were on the agenda this fiscal year.

Key matters for sharing and consideration in Audit & Supervisory Board meetings

- Audit policy, audit plans, and segregation of duties
- Audit Reports by Audit & Supervisory Board
- Evaluation of Accounting Auditors
- Evaluation of the effectiveness of Audit & Supervisory Board
- Internal audit plans and the results
- Status of audits by Audit & Supervisory Board Members of domestic Group companies
- Status of execution of duties by Full-time Audit & Supervisory Board Member on a monthly basis

Activities of Audit & Supervisory Board Members

	Activities	Relevant Members
Meetings with Representative Directors	Held twice a year	Full-time / Outside
Meetings with Directors	Held once a year	Full-time / Outside
Attendance at important meetings	Attendance at meetings such as those of Board of Directors, Management Executive Meeting	Full-time / Outside
	Corporate Ethics Committee and EHS Management Committee	Full-time
Attendance at important meetings of the domestic Group companies	Acting as Part-Time Audit & Supervisory Board Members of the principal domestic Group companies, attendance in meetings of bodies such as Board of Directors and Management Executive Meeting of such companies	Full-time
Perusal of important documents	Perusal of documentation that includes approval documents, materials and minutes of important meetings	Full-time
Audit by Audit & Supervisory Board Members	Interviews with Heads of Division, Vice Presidents (department), Vice Presidents (branch), Vice Presidents (research laboratory), Presidents of domestic Group companies, Heads of Internal Audit Departments of overseas Group companies, etc.	Full-time / Outside
Advice and requests at Board of Directors meetings		Full-time / Outside
Membership of voluntary advisory committees	Observer of Nomination Committee and Compensation Committee	Outside
Cooperation with Outside Directors	Engaging in opinion-exchange	Outside
Meetings with Audit & Supervisory Board Members of domestic Group companies	Held twice a year	Full-time
Cooperation with the Internal Audit Department	Reporting internal audit plans and results thereof and engaging in opinion-exchange, confirming audit points before internal audits, information-sharing and opinion-exchange at monthly meetings	Full-time
	Attendance of the Internal Audit Department at meetings between Audit & Supervisory Board Members and Accounting Auditors	Full-time / Outside
Cooperation with the Accounting Auditors	Receiving briefings and reports from the Accounting Auditor on matters that include the audit plan, audit/quarterly review results, results of internal control audit (J-SOX), and engaging in information-sharing and opinion exchange on recent topics on a monthly basis, consultation about Key Audit Matters (KAM) Deliberating on Key Audit Matters (KAM)	Full-time / Outside

Audit & Supervisory Board Evaluation

Audit & Supervisory Board conducted Audit &Supervisory Board evaluation for FY2020 to heighten its effectiveness of the Audit & Supervisory Board.

- **Implementation method of the Audit & Supervisory Board evaluation**
  The Audit & Supervisory Board established a wide range of evaluation items associated Audit & Supervisory Board effectiveness. Each Audit & Supervisory Board Member conducted a self-evaluation of Audit & Supervisory Board, and then discussed those matters.
- **Results of the evaluation of the Audit and Supervisory Board**
  The evaluation has concluded that although the Company's Audit & Supervisory Board largely carries out its activities appropriately, and the effectiveness of Audit & Supervisory Board has been ensured, there is room for improvement in terms of several areas including audits of overseas Group companies. Audit & Supervisory Board will draw on these results in terms of applying them to initiatives to be carried out for subsequent fiscal years.

Messages from Outside Directors and Outside Audit & Supervisory Board Members (Independent Directors)

Sawako Nohara
Outside Director (Independent Director)

Leveraging Our Strengths to Confront New Diseases Brought About by Global Environmental Changes and Other Factors

Please tell us about your role based on the skill matrix.

I have founded and managed a company conducting research related to digital business and innovation. With that experience, I am actively participating in the discussions on the Company's new business development and DX promotion, leveraging digital technology and AI, and R&D strategy.

I have also served as an outside director for a number of companies in many different industries that are at various stages of management and governance transformation. I think that those experiences have allowed me to have a relative perspective on each company and be more objective in judging the situation. I hope to make use of my experience in a variety of opportunities, including examining the Company's management styles and strategies, improving its corporate governance, and implementing materiality management in the Company.

Please tell us what you expect from Daiichi Sankyo and what should be strengthened in order for us to contribute to the development of a sustainable society.

For the development of a sustainable society, it is essential to reduce the environmental impact of business activities and actively implement measures to combat climate change, such as reducing CO_2 emissions and recycling waste plastics. However, that is not everything. By utilizing our strengths in science and technology (S&T), we can create innovative pharmaceuticals for new infectious diseases and other new disorders that could arise from changes in the structure of diseases due to ongoing global warming and other factors. Furthermore, I believe we can contribute to the society more by providing a stable supply of those products to the world and thereby reassuring medical professionals treating patients.

I expect Daiichi Sankyo to build a system to detect the signs of new disease outbreaks and create advanced preventive and therapeutic drugs in a faster manner. To this end, we need to step up our efforts to promote research in various modalities, develop specialized and diverse human resources while promoting their activities, and expand our investment capacity with enhanced global management capabilities.

Utilizing My Medical Knowledge and Experience in Healthcare Delivery and Organization Management

Tsuguya Fukui
Outside Director (Independent Director)

Please tell us about your role based on the skill matrix.

Of the nine types of skills listed in the skill matrix, I am rated as having science and technology (S&T) skills and personnel/human resource development skills. I studied medicine—not only the natural sciences but also the humanities and social sciences—and have provided medical care. During that time, I studied public health (epidemiology, statistics, environmental medicine, behavioral science, health policy management, etc.) in the United States, and also engaged in university and hospital administration and management. A critical part of administrating and managing a university or a hospital is personnel administration and human resource development. In my past experiences, this process sometimes went better than expected; on the other hand, there were several times I wished it had been done differently.

With this academic background and experience in healthcare delivery and organizational management, I hope to contribute when we consider significant corporate decisions from all possible perspectives.

Please tell us what you expect from Daiichi Sankyo and what should be strengthened in order for us to contribute to the development of a sustainable society.

Corporate entities and every one of us are expected to have economic activities and lifestyles that will help achieve a sustainable society, and this can be characterized by the keywords: SDGs (Sustainable Development Goals) and ESG (Environmental, Social and Corporate Governance). Daiichi Sankyo has determined priority issues (materiality) based on these perspectives, set specific targets for achieving them, and integrated them into management. Therefore, we should monitor our contribution to the SDGs as we progress toward the targets.

Our priorities lie in the Company's missions to deliver health and welfare and to bring job satisfaction and economic growth. In addition to these, I believe that Daiichi Sankyo can adopt clean energy in the stages of pharmaceutical processing and research to address climate change (reduce carbon dioxide emissions). In the future, I also expect Daiichi Sankyo to contribute part of its profits to the eradication of poverty and hunger.

Aiming for Governance with Both Aggressive and Defensive Approaches and Bringing Out the Best in Each Employee

Kazuaki Kama
Outside Director (Independent Director)

Please tell us about your role based on the skill matrix.

I believe that Outside Directors are expected to contribute to Daiichi Sankyo's sustainable growth and enhancement of its corporate value. This fiscal year is the first year of the new 5-year business plan. We have started implementing measures to realize our FY2025 Vision "Global Pharma Innovator with Competitive Advantage in Oncology."

To support the implementation of the measures, I intend to utilize my experience and knowledge as an executive officer in a comprehensive heavy industry manufacturer and my expertise and practical experience in finance and accounting. To this end, I will fulfill the two roles of governance in a well-balanced manner: "aggressive" governance to drive measures and "defensive" governance to verify risks and internal control effectiveness.

Please tell us what you expect from Daiichi Sankyo and what should be strengthened in order for us to contribute to the development of a sustainable society.

The measures and timetables for achieving our FY2025 Vision are all set. Now it is vital that we follow the PDCA cycle of the measures without fail.

Another thing to address is risks. As we have witnessed pandemics represented by the recent outbreak of COVID-19, large-scale natural disasters, and geopolitical risks, the probability of such occurrences is rising, and the magnitude of resulting losses is even more significant than in the past. This requires us to execute thorough risk management practices and take appropriate actions in a crisis.

It is up to each and every employee of the Group working on the global stage to attain the new 5-year business plan's goals. There is and will be a dramatic change in our work styles during and after the COVID-19 pandemic. Accordingly, we need to create an environmental system that allows each employee to demonstrate their abilities fully.

Toward Enhanced Management to Nip Risks in the Bud

Tateshi Higuchi
Outside Audit & Supervisory Board Member
(Independent Auditor)

Please tell us about your role based on your experience and expertise.

As we contribute to the development of a sustainable society, what is your approach to corporate governance?

I have served as a police bureaucrat in charge of public safety for many years, engaging in creating a society where incidents and accidents are less likely to occur. However, once a severe incident is allowed to happen, even if we resolved it quickly, there is no hope of 100 percent recovery from that damage, not only in terms of human lives but also economic losses. Enhancing the ability to respond to incidents after the occurrence and preparing equipment and materials are undoubtedly important, but there is no better way than to prevent them from happening. The Japanese police have endeavored to thoroughly analyze the causes of incidents and accidents, painstakingly preparing a social environment that prevents such causes from developing. In my view, those efforts have led Japan to the healthiest and safest country in the world.

For Daiichi Sankyo, as a leading global healthcare company, to contribute to the development of a sustainable society, we need to build an advanced governance process that can deal with complex and diversified risks. I believe that the methods used to prevent accidents and incidents can also be a viable solution to risk management. At present, many companies start managing risks as soon as they are aware of their existence. However, if we catch them further in advance and nip them in the bud, many risks should not be materializing.

The process up to the materialization of risk varies depending on each case, but human factors are always involved. As I see it, the key to nipping risks in the bud is to enhance personnel administration and business management with a focus on those in charge of critical operations that could have serious consequences if the risk manifested itself. From that perspective, I would like to utilize my knowledge on the process of developing society so that Audit & Supervisory Board may contribute to enhancing the Company's corporate governance further.

Toward the Establishment of a High-Quality Corporate Governance System That Meets the Trust of Society

Yukiko Imazu
Outside Audit & Supervisory Board Member
(Independent Auditor)

Please tell us about your role based on your experience and expertise.

A higher priority is placed on transparency and compliance in corporate management than ever before. Sound corporate management requires enhancing the internal autonomous and self-cleansing functions and examining the situation from an external, third-party perspective. As the unstable situation caused by COVID-19 continues, it is increasingly important to develop diverse talent who can create competitive edge and advantage. Furthermore, encouraging these people to play an active part is also essential. Leveraging my experiences in corporate legal affairs and corporate governance with a focus on labor and employment cases as a lawyer, I, as an Outside Audit & Supervisory Board Member of the Company, will continuously strive to contribute to establishing good corporate governance in response to the public trust.

As we contribute to the development of a sustainable society, what is your approach to corporate governance?

In order to fulfill our mission of contributing 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 Company must be flexible to meet the needs of the times. Our current 5-year business plan aims to realize the 2025 Vision, “Global Pharma Innovator with Competitive Advantage in Oncology,” while shifting to the growth stage toward achieving the 2030 Vision. We have also established a new global management structure to become a truly global healthcare company.

However, when a company tries to make a change, not only opportunities but also risks will arise. An Outside Audit & Supervisory Board Member in the capacity of a lawyer is expected to contribute to providing a sense of security to shareholders and increasing corporate value of the Company. In order to achieve these, I will always offer objective opinions from an auditor’s view in accordance from the legal mind and a neutral stance, so that unnecessary legal risks and damages to corporate value will be avoided. I will continue to endeavor to secure compliance and sound management of the Company in pursuit of its sustainable growth.

Contributing as a Corporate Accounting and Auditing Professional for Further Improvement of Corporate Governance

Masako Watanabe
Outside Audit & Supervisory Board Member
(Independent Auditor)

Please tell us about your role based on your experience and expertise.

I was elected as a Outside Audit & Supervisory Board Member at the general meeting of shareholders held in June 2021. With the global spread of COVID-19, the role played by pharmaceutical companies and society’s expectations of them have never been greater. Under these unprecedented circumstances, I have renewed my determination since becoming an Outside Audit & Supervisory Board of Daiichi Sankyo, a company that is making groupwide efforts to become an advanced global drug discovery company.

I have been working as a certified public accountant for 30 years at an auditing firm, where I have conducted accounting audits and financial investigations in a number of industries and business categories. In the course of my work, I have faced various management issues and fraud cases arising from corporate governance systems and internal control systems. Each time such a problem occurred, I confronted and discussed it with the company’s side, such as the management and auditors. In this way, I have come to recognize the importance of a corporate governance system. From this experience, I would like to speak my opinions actively in various aspects as a corporate auditor and also as a specialist in corporate accounting and auditing. I will strive for further improvement of the Company’s corporate governance system. I will also work closely with the Internal Audit Department, Accounting Auditors, and Group companies’ auditors to audit the functioning of internal control systems. I will commit to the continuous improvement of the Group’s corporate value.

Please tell us about your aspirations as a new Audit & Supervisory Board Member.

I hope to fulfill my role as a Outside Audit & Supervisory Board Member by better understanding the Company’s business and actual conditions. Therefore, I would like to exchange opinions with Audit & Supervisory Board Members who are actively engaged in their roles. I would also like to conduct direct interviews with each department and site visits to R&D and manufacturing sites as necessary. I look forward to working for Daiichi Sankyo.

Introduction of Directors and Audit & Supervisory Board Members

Directors

Representative Director, President and CEO
Sunao Manabe 1

Career Summary, Positions, and Assignments

1978 Joined Sankyo Company, Limited ("Sankyo")
2005 Vice President, Medicinal Safety Research Laboratories of Sankyo
2007 Vice President, Medicinal Safety Research Laboratories of the Company
2009 Corporate Officer, Vice President of Global Project Management Department, R&D Division of the Company
2011 Corporate Officer, Head of Group HR & CSR of the Company
2012 Corporate Officer, Vice President of Corporate Strategy Department, Corporate Strategy Division of the Company
2014 Executive Officer, President of Japan Company and Head of Business Intelligence Division of the Company
2014 Director, Executive Officer, President of Japan Company and Head of Business Intelligence Division of the Company
2015 Director, Senior Executive Officer, In Charge of Global Sales & Marketing of the Company
2016 Director, Executive Vice President, Head of General Affairs & Human Resources Division, and Medical Affairs Division of the Company
2016 Representative Director, Executive Vice President, Head of General Affairs & Human Resources Division, and Medical Affairs Division of the Company
2017 Representative Director, President and COO of the Company
2019 Representative Director, President and CEO of the Company (to present)

Representative Director, Senior Executive Officer Head of Japan Business Unit
Satoru Kimura 2

Career Summary, Positions, and Assignments

1981 Joined Daiichi Pharmaceutical Co., Ltd.
2009 Vice President of Kyoto Branch, Sales & Marketing Division, Japan Company of the Company
2014 Corporate Officer, Head of Sales & Marketing Division and Vice President of Marketing Department, Japan Company of the Company
2015 Executive Officer, Head of Sales & Marketing Division of the Company
2016 Senior Executive Officer, Head of Sales & Marketing Division of the Company
2019 Director, Senior Executive Officer, Head of Sales & Marketing Division of the Company
2021 Director, Senior Executive Officer, Head of Japan Business Unit of the Company
2021 Representative Director, Senior Executive Officer, Head of Japan Business Unit of the Company (to present)

Director, Senior Executive Officer, Head of Digital Transformation Management Division
Masahiko Ohtsuki 3

Career Summary, Positions, and Assignments

1987 Joined Sankyo Company, Limited
2010 Vice President, R&D Planning Department, R&D Division of the Company
2012 Vice President, Research Oversight Function, R&D Division of the Company.
2013 Vice President, Research Oversight Function, R&D Division of the Company
2014 Corporate Officer, Vice President of Research Oversight Function, R&D Division of the Company
2018 Corporate Officer, Vice President of Business Development & Licensing Department of the Company
2019 Executive Officer, Vice president of Business Development & Licensing Department of the Company
2020 Senior Executive Officer, Head of Digital Transformation Management Division
2020 Director, Senior Executive Officer, Head of Digital Transformation Management Division (to present)

Director, Senior Executive Officer, Head of Corporate Strategy Division
Shoji Hirashima 4

Career Summary, Positions, and Assignments

1988 Joined Daiichi Pharmaceutical Company, Limited
2010 CEO, U3 Pharma GmbH
2015 Vice President, Corporate Strategy Department, Corporate Strategy Division of the Company
2016 Vice President of Corporate Strategy Department and Senior Director of Oncology Business Group, Corporate Strategy Division of the Company
2017 Corporate Officer, Vice President of Corporate Business Management Department, Corporate Strategy and Management Division
2019 Executive Officer, Head of Global Brand Strategy Division of the Company
2020 Senior Executive Officer, Head of Global Brand Strategy Division of the Company
2020 Director, Senior Executive Officer, Head of Global Brand Strategy Division of the Company
2021 Director, Senior Executive Officer, Head of Corporate Strategy Division of the Company (to present)

Director, Executive Officer Head of Corporate Planning & Management Division, CFO
Hiroyuki Okuzawa 5

Career Summary, Positions, and Assignments

1986 Joined Sankyo Company, Limited
2017 Vice President of Business Planning Department, ASCA Company of the Company
2018 Corporate Officer, President of ASCA Company of the Company
2021 Executive Officer, Head of Corporate Planning & Management Division and CFO of the Company
2021 Director, Executive Officer Head of Corporate Planning & Management Division, CFO of the Company (to present)

Outside Director (Independent Director)
Noritaka Uji 6

Career Summary, Positions, and Assignments

1973 Joined Nippon Telegraph and Telephone Public Corporation
1999 Director, Senior Vice President, Advanced Information Network Services Sector of NTT DATA Corporation ("NTT DATA")
2000 Director, Senior Vice President, Corporate Strategy Planning Department of NTT DATA
2001 Director, Senior Vice President, Industrial System Sector of NTT DATA
2002 Director, Senior Vice President, Enterprise Business Sector of NTT DATA
2003 Managing Director, Executive Vice President, Enterprise Systems Sector and Enterprise Business Sector of NTT DATA
2005 Representative Director, Executive Officer of NTT DATA
2007 Representative Director, Senior Executive Vice President of Nippon Telegraph and Telephone Corporation ("NTT")
2012 Adviser of NTT
2014 Outside Director of the Company (to present)

(Material Concurrent Positions)
· External Director of Yokogawa Electric Corporation
· Honorary Chairman of Japan Institute of Information Technology
· Honorary President of Japan Telework Association
· Visiting Professor of Center for Global Communications, International University of Japan

Outside Director (Independent Director)

Tsuguya Fukui 7

Career Summary, Positions, and Assignments

1992 Professor, Department of General Medicine of Saga Medical School Hospital
1994 Professor, Department of General Medicine of Kyoto University Hospital
1999 Professor, Department of Clinical Epidemiology, Kyoto University Graduate School of Medicine
2000 Professor, Department of Clinical Epidemiology, Professor, Department of Health Informatics, Dean, School of Public Health, Kyoto University Graduate School of Medicine
2001 Professor, Department of Clinical Epidemiology, Professor, Department of Health Informatics, Director, EBM Collaborative Research Center, School of Public Health, Kyoto University Graduate School of Medicine
2004 Chief of staff, Department of Internal medicine, Vice President, St. Luke's International Hospital
2005 President of St. Luke's International Hospital
2012 Chairperson of the Board of Trustees of St. Luke's College of Nursing (currently, St. Luke's International University)
2015 Outside Director of the Company (to present)
2016 President of St. Luke's International University
2021 Hospital Director, Tokyo Medical University Ibaraki Medical Center, Tokyo Medical University (to present)

(Material Concurrent Positions)
· Hospital Director, Tokyo Medical University Ibaraki Medical Center, Tokyo Medical University
· Director of Japan Council Evaluation of Postgraduate Clinical Training, Chairman of the Human Resources Development Committee of the organization
· President of The Japan Medical Library Association

Outside Director (Independent Director)

Kazuaki Kama 8

Career Summary, Positions, and Assignments

1971 Joined Ishikawajima-Harima Heavy Industries Co., Ltd. (currently, IHI Corporation)
1987 Executive Vice President of IHI INC. (New York)
2002 Associate Director and Deputy General Manager of Finance and Accounting Division of Ishikawajima-Harima Heavy Industries Co., Ltd.
2004 Executive Officer and General Manager of Finance and Accounting Division of Ishikawajima-Harima Heavy Industries Co., Ltd.
2005 Managing Executive Officer, General Manager of Finance and Accounting Division of Ishikawajima-Harima Heavy Industries Co., Ltd.
2005 Board Director, Managing Executive Officer, General Manager of Finance and Accounting Division of Ishikawajima-Harima Heavy Industries Co., Ltd.
2007 President and Chief Executive Officer of Ishikawajima-Harima Heavy Industries Co., Ltd.
2012 Chairperson of the Board of IHI Corporation
2016 Board Director of IHI Corporation
2016 Executive Corporate Advisor of IHI Corporation
2019 Outside Director of the Company (to present)
2020 Senior Advisor of IHI Corporation (to present)

(Material Concurrent Positions)
· Senior Advisor of IHI Corporation
· Outside Director of SUMITOMO LIFE INSURANCE COMPANY
· Statutory Auditor (Outside) of Tokyo Stock Exchange, Inc.

Outside Director (Independent Director)

Sawako Nohara 9

Career Summary, Positions, and Assignments

1980 Joined Mitsubishi Petrochemical Co., Ltd. (currently, Mitsubishi Chemical Corporation)
1988 Joined Life Science Institute Co., Ltd.
1995 Joined InfoCom Research, Inc.
1998 Head of the E-Commerce Business Development Group of InfoCom Research, Inc.
2001 President of IPSe Marketing, Inc. (to present)
2006 Outside Director of the Board of NEC Corporation
2009 Project Professor of the Graduate School of Media and Governance, Keio University
2012 Audit & Supervisory Board Member of Sompo Japan Insurance Inc.
2013 Outside Director of the Board of NKSJ Holdings, Inc. (currently, Sompo Holdings, Inc.)
2014 Outside Director of the Board of Nissha Printing Co., Ltd. (currently, Nissha Co., Ltd.)
2014 Outside Director of the Board of JAPAN POST BANK Co., Ltd.
2018 Outside Audit & Supervisory Board Member of Tokyo Gas Co., Ltd.
2019 Outside Director of the Company (to present)
2020 Project Professor of the Graduate School of Media and Governance, Keio University (to present)
2021 Outside Director of Tokyo Gas Co., Ltd. (to present)
2021 Outside Director of Keikyu Corporation (to present)

(Material Concurrent Positions)
· President of IPSe Marketing, Inc.
· Project Professor of the Graduate School of Media and Governance, Keio University
· Outside Director of Tokyo Gas Co., Ltd.
· Outside Director of Keikyu Corporation

Audit & Supervisory Board Members

Audit & Supervisory Board Member

Ryoichi Watanabe 10

Career Summary and Positions

1981 Entered Sankyo Company, Limited ("Sankyo")
2003 Vice President, Accounting Department of Sankyo
2004 Vice President, Business Performance Management Department of Sankyo
2007 Vice President, Corporate Accounting Department of the Company
2009 Vice President, Corporate Finance & Accounting Department of the Company
2012 Vice President, General Affairs & Procurement Department, General Affairs & Human Resources Division of the Company
2014 Vice President, Finance & Accounting Department, Corporate Management Division of the Company
2015 Vice President, Internal Audit Department of the Company
2016 Corporate Officer, Vice President, Internal Audit Department of the Company
2019 Corporate Officer, in charge of Internal Audit Department of the Company
2019 Audit & Supervisory Board Member of the Company (to present)

Audit & Supervisory Board Member

Kenji Sato 11

Career Summary and Positions

1988 Entered Daiichi Pharmaceutical Co., Ltd.
2016 Vice President, R&D General Affairs & Human Resources Department, R&D Division of the Company
2019 Principal, R&D General Affairs & Human Resources Department, R&D Division of the Company
2019 Audit & Supervisory Board Member of the Company (to present)

Outside Audit & Supervisory Board Member (Independent Auditor)

Tateshi Higuchi 12

Career Summary and Positions

1978 Entered National Police Agency
2007 Deputy Director General for Policy Evaluation and Deputy Director General of National Police Agency
2008 Chief of Personnel and Training Bureau of Tokyo Metropolitan Police Department
2009 Deputy Superintendent General and Acting Chief of Personnel and Training Bureau of Tokyo Metropolitan Police Department
2010 Chief of Community Safety Bureau of National Police Agency
2011 Superintendent General
2014 Ambassador Extraordinary and Plenipotentiary of Japan to the Republic of the Union of Myanmar
2018 Outside Audit & Supervisory Board Member of the Company (to present)

(Material Concurrent Positions)
· Outside Director of MIURA CO., LTD.
· Member of Japan Casino Regulatory Commission, an external bureau of the Cabinet Office

Outside Audit & Supervisory Board Member (Independent Auditor)

Yukiko Imazu 13

Career Summary and Positions

1996 Entered Anderson Mōri (currently, Anderson Mōri & Tomotsune)
2005 Partner of Anderson Mōri & Tomotsune (to present)
2007 Associate Professor of Keio University Law School
2014 Director of Ishibashi Foundation (to present)
2018 Outside Audit & Supervisory Board Member of the Company (to present)

(Material concurrent positions)
· Partner of Anderson Mōri & Tomotsune
· Director of Ishibashi Foundation

Outside Audit & Supervisory Board Member (Independent Auditor)

Masako Watanabe 14

Career Summary and Positions

1984 Joined The Fuji Bank, Ltd. (currently "Mizuho Bank, Ltd.")
1990 Joined Tohmatsu LLC (currently "Deloitte Touche Tohmatsu LLC")
1994 Registered as Certified Public Accountant
2007 Partner of Tohmatsu LLC
2020 Representative of Masako Watanabe Certified Public Accountant Office (to present)
2021 Outside Audit & Supervisory Board Member of the Company (to present)
2021 Outside Director of Sakata Seed Corporation (to present)

(Material concurrent positions)
· Outside Director of Sakata Seed Corporation

(as of October 1, 2021)

Activity Report

Sustainability Activities

Value Chain Activities

Communication with Stakeholders

The Daiichi Sankyo Group responds to a wide range of requirements from society, including those for responding to unmet medical needs. To respond to requests from society that are constantly changing along with rapid changes in economic, geopolitical and global environmental changes, we believe that, for sustainable corporate activities, it is crucial to timely understand the changes through dialogues with various stakeholders.

Basic Policy

The Group specifies "We maintain productive, positive and professional relationships with our stakeholders" in Article 2 of the Daiichi Sankyo Group Corporate Conduct Charter, and "We actively, effectively, and fairly disclose corporate information to the public and engage in an open and constructive dialogue with a wide range of stakeholders" in Article 3.

Furthermore, the Group specifies "We actively, effectively and fairly disclose Company information to the public and engage in an open and constructive dialogue with a wide range of stakeholders" in Chapter 2 "Society" of the Daiichi Sankyo Group Employee Code of Conduct.

Relationship with Stakeholders

In order for the Group to sustainably grow and create corporate value in the mid-to-long-term in society, we recognize that it is important to communicate with various stakeholders, including patients and their families, healthcare professionals, shareholders and investors, business partners, employees, local communities and the natural environment.

In the current 5-year business plan, we aim to "Create Shared Value with Stakeholders" as the fourth strategic pillar. We will promote initiatives for creating shared value with patients, shareholders and investors, society and employees.

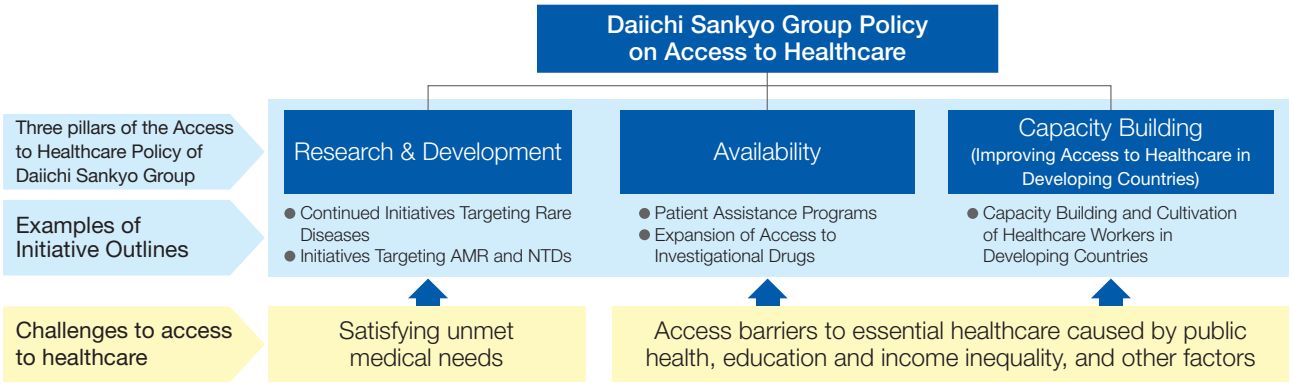
▶ Daiichi Sankyo Group's Stakeholders

Stakeholders	Specific Initiatives
Patients and Their Families and Healthcare Professionals	• Information provision activities aiming to be a reliable medical partner Through medical representatives (MRs) activities in Japan, we have provided, collected and communicated information on our pharmaceuticals to and for various healthcare professionals, including physicians and pharmacists. In providing information, we provide accurate, timely and well-balanced information on the safety and effectiveness of our pharmaceuticals including useful information for the enrichment of quality of life of patients and their families. • Response to inquiries from patients and healthcare professionals We receive approx. 6,000 inquiries per month and approx. 70,000 inquiries per year about our products from patients and healthcare professionals in Japan. We respond to such inquiries with the utmost respect while delivering accurate information in a timely manner by using a call center support system utilizing AI. • Communication with patients and healthcare professionals through COMPASS COMPASS (“Compassion for Patients” Strategy) in the Japan R&D Division has planned and provided our employees in Japan with opportunities for direct communication with patients and healthcare professionals through events such as bedside visits at hospitals and lectures to contribute to realizing “life with smile” around the world. • Creation of high quality information We aim to be a partner of our stakeholders that delivers the best medical solution by generating evidence of high medicinal value of our pharmaceuticals and disseminating them widely to society. • Medication support aiming for patients’ safe and secure medication We have provided medication support such as a “medication reminder alarm system” for treatment for osteoporosis which treatment continuation rate is said to be relatively low, and a “whistle” to check the strength of inhalation when taking a medicine by inhaleing. • Stable supply of investigational drugs through collaboration with medical institutions during the pandemic We have also engaged in new initiatives such as the establishment of a “Direct to Patients” system under which patients can receive or be administered investigational drugs at home or a nearby hospital without visiting clinical trial facilities through collaboration with medical institutions during the COVID-19 pandemic. • Formulation, labeling and packaging schemes for easier-to-swallow medication and prevention of medication errors We have improved the distinguishability of tablets by printing the drug name on both sides of the tablets and increased efforts to prevent medication errors by developing outer packaging for PTP sheets for the purpose of preventing patient’s family members, especially small children from accidentally ingesting relatively high risk medicines such as anticancer drugs.
Shareholders and Investors	• Active IR activities In addition to quarterly held financial results presentations or conference calls by the management, and an R&D Day (R&D briefing), we proactively hold seminars for institutional investors after major academic conferences . • ESG dialogues with investors We hold dialogues with institutional investors on ESG topics and meetings with investors using our Value Reports (integrated reports).
Business Partners	• Promotion of sustainable procurement We request our key business partners to conduct a CSR Self-Assessment Survey every three years in order to deepen their understanding of our Group’s view on sustainable procurement and strengthen communication with them.
Employees	• Issuance of internal newsletters We issue our internal newsletter “Patio” four times a year addressing various topics, such as management information and information to foster a sense of unity groupwide. • A series of town hall meetings hosted by top management Our CEO engages in direct and interactive communication with all employees in Japan and overseas, explaining the Company’s visions and a medium-term business plan. • Individual development plan We conduct an “individual development plan” in Japan to cultivate consciousness of career development by employees themselves and confirm future careers over the mid-to-long-term through dialogues between supervisors and their subordinates
Local Communities	• Operation of Daiichi Sankyo Kusuri Museum We opened the Daiichi Sankyo Kusuri Museum in 2012 for the purpose of providing the opportunities to learn the importance of medicine and drug discovery activities while having fun and for the purpose of contributing to the revitalization of the Nihonbashi area, the number of visitors has exceeded more about 140 thousand cumulatively. • Efforts for promoting correct understanding of diseases and disease awareness activities We are striving to contribute to the enrichment of quality of life of the local community with improved correct understanding of each of our employees about diseases and through disease awareness activities.
Natural Environment	• Various training on environment We have endeavored to improve employees’ awareness of the environment through actions such as providing climate changes impact on the environment e-learning programs and holding a contest for artwork open to all the group employees to increase environment awareness and providing the COOL CHOICE program for all the employees in Japan. In addition, we have also conducted professional training for the person in charge of environment in our plants and laboratories. • Low carbon society action plan We have participated in the Environment Committee of the Federation and Low Carbon Society Action Plan Working Group of Pharmaceutical Manufactures’ Associations of Japan, promoted its industry-wide initiatives for carbon neutrality, such as planning of industry target, planning and conducting the environment seminar and exchanging information with other industries.

Improvement of Access to Healthcare

Based on the "Daiichi Sankyo Group Policy on Access to Healthcare," the Daiichi Sankyo Group works to expand access to healthcare with the three activity pillars of "Research & Development," "Availability," and "Capacity Building", and contributes to achieving Goal 3 of the SDGs, "Good health and well-being."

▶ Daiichi Sankyo Group Policy on Access to Healthcare



Reinforcement of Healthcare Foundations in Developing Countries

In developing countries, access to healthcare is restricted due to various factors such as the absence of health insurance systems and healthcare infrastructure, lack of healthcare professionals, and physical distance to medical institutions. The Daiichi Sankyo Group engages in activities to improve access to healthcare in developing countries by understanding the local needs well and working in partnership with Non-governmental organizations (NGOs) with a solid base for local activities.

▶ Capacity Building

Read more here https://www.daiichisankyo.com//sustainability/access_to_healthcare/capability/

● Mobile healthcare field clinic services in Myanmar

(FY2019–FY2022)

In Myanmar where child and maternal mortality rates are high, we are providing mobile clinic services in collaboration with Plan International Japan, with KPIs such as reducing the under-five mortality rate and improving the maternal checkup rate.

● Breast cancer and cervical cancer screening camp project in Nepal

(FY2021–FY2023)

In Nepal, where breast and cervical cancers are the most common cancers among women, accounting for 30% of all cancer-related mortality. We are working with AMDA Multisectoral and Integrated Development Services to increase the number of people who receive cancer screening and early detection through the screening camp and educational activities.

● Capacity building for SRHR and breast cancer/cervical cancer in Zimbabwe

(FY2021–FY2024)

In cooperation with Plan International Japan, we are working to improve women's rights and access to cancer screening through educational activities for SRHR* and breast/cervical cancers and trainings of healthcare professionals.

* Sexual and Reproductive Health and Rights

Continued Initiatives Targeting Rare Diseases

Daiichi Sankyo works actively on the development of pharmaceuticals for rare diseases with significant social needs, where the number of patients is small and effective treatment is not available.

DS-5141, a nucleic acid drug based on Daiichi Sankyo's proprietary nucleic acid modification technology, is being examined for the treatment of Duchenne muscular dystrophy in phase 1/2 clinical trials in Japan. *DS-4108*, a drug using the same technology, targets glycogen storage disease type Ia (GSDIa) and is undergoing pre-clinical studies. The TNAP* inhibitor *DS-1211*, which targets pseudoxanthoma elasticum, has been evaluated in phase 1 clinical trials in the United States. A phase 1 clinical trial of *DS-6016* (anti-ALK2 antibody) is ongoing in Japan, with fibrodysplasia ossificans progressiva as the target disease.

In the field of rare diseases, we will continue our quest to create innovative pharmaceuticals by using the Company's strength in Science and Technology.

* Tissue non-specific alkaline phosphatase. A membrane-bound enzyme that degrades pyrophosphate.

Initiatves to Prevent Antimicrobial Resistance (AMR)

The emergence and spread of antimicrobial-resistant bacteria is a significant global public health issue. It is estimated that the number of deaths due to antimicrobial-resistant (AMR) bacteria will reach approximately 10 million every year between now and 2050 if appropriate countermeasures are not taken now. The Daiichi Sankyo Group has taken measures against AMR bacteria by partnering with external organizations in utilizing its assets acquired through activities in the field of infectious diseases.

In 2019, Daiichi Sankyo signed an agreement to participate in the AMR Screening Consortium led by the GARDP*. Daiichi Sankyo is the third Japanese company to participate in the Consortium, which aims to acquire novel compounds with antibacterial activity by using the chemical libraries of the respective companies.

In July 2020, Daiichi Sankyo decided to participate in and contribute US$20 million to the AMR Action Fund, which was established to support the clinical development of new antibiotics and to realize a sustainable antibiotics market. Through the participation in the Fund, we will promote the development of innovative antibiotics and contribute to the prompt resolution of AMR issues around the world.

* Global Antibiotic Research and Development Partnership

Initiatives for Malaria, Tuberculosis, and Neglected Tropical Diseases (NTDs) through Partnerships

The Daiichi Sankyo Group makes the best use of its accumulated scientific findings and global network and promotes partnership-based drug discovery. Collaboration with partners possessing leading edge scientific knowledge around the world brings synergies to initiatives that cannot be completed by the Group alone. This initiative contributes to Goal 17: "Partnerships for the Goals" of SDGs adopted by the United Nations member states.

Daiichi Sankyo has contributed to the Global Health Innovative Technology (GHIT) Fund since its establishment in April 2013. The GHIT Fund is a public-private partnership originating in Japan and aims to achieve drug discovery for combating infectious diseases in developing countries.

The Group companies are utilizing the partnership through the GHIT Fund structure to undertake a number of projects, including one to explore clinical candidate compounds for the treatment of Chagas disease, which is considered to be one of neglected tropical diseases (NTDs), and another to explore candidate anti-tuberculosis drugs from natural products. In addition to these activities, we have launched two screening projects for therapeutic drugs for malaria.

VOICE

To Protect People from Infectious Diseases

Kousei Shimada

Medicinal Chemistry Research Laboratories, Reseach Function

In response to the spread of COVID-19, we have launched a task force to promote research and development of vaccines and therapeutic agents on a Group-wide scale. In the meantime, we re-recognized the need for a system which can quickly respond to new pandemics and AMR (Antimicrobial Resistance) issues that are expected to occur in the future. To further activate research & development of anti-infective agents, we established the Emerging and Re-emerging Infectious Diseases Research Special Team (EReDS) in April 2021 and started activities. Creating novel drugs is a unique contribution that pharmaceutical companies can make. We will contribute to the development of sustainable society by maintaining the foundation of infectious disease research, passing on internal knowledge and knowhow, and creating novel drugs in the field of infectious diseases while leveraging our group's strength in drug discovery and promoting industry-government-academia cooperation.

Promoting Compliance Management

Thorough compliance is essential for the sustainable growth of a company. Daiichi Sankyo Group is committed to conducting all of its business operations based on the understanding that compliance is more than just adhering to laws, regulations and rules; it involves acting with high ethical standardsand social consciousness appropriate for a life science-oriented company.

Compliance Training and Educational Activities

Ongoing compliance trainings and educational activities are indispensable parts of promoting our compliance programs.

In order to promote understanding of compliance, encourage high ethical standards, and cultivate an open workplace environment, we have been conducting small group discussion-type trainings (interactive training) using original training materials in the Company and Group companies in Japan.

Furthermore, we conduct compliance trainings by external specialists on a regular basis for the board members, Members of the Audit and Supervisory Board, Corporate Officers of the Company, and various employees of Group companies in Japan, such as presidents and compliance officers. We also conduct compliance trainings annually for new employees of the Company and Group companies in Japan and newly-appointed managers for each respective position. Employees at Group companies outside of Japan are also conducting compliance training using case studies and e-learning programs, depending on the circumstances in each region.

Furthermore, we are also working on raising compliance awareness throughout the Group, as part of educational activities. For example, we periodically send messages of the Company's CEO regarding the importance of compliance to all the Group companies globally in order to further raise awareness of compliance.

Using a Compliance Reporting System

From May 2021, we have newly introduced the global hotline as a group-wide reporting channel managed by an outside vendor. While we previously established and operated a compliance reporting system according to the circumstances in each region, we believe that integrating external reporting channels contributes to identifying a breach of compliance throughout the Group better than before and developing more appropriate measures, which results in establishing an open workplace environment.

The global hotline accepts reports and consultation of compliance-related matters 24 hours a day, 7 days a week available in languages of countries and regions where the Group companies are located. We also receive reports and consultation from the outside of the companies as well as from employees on each the Group's websites.

Furthermore, the Company and each group companies in Japan provides reporting channels such as a hotline and/or e-mail system. There are also harassment consultation contact persons for Japan Daiichi Sankyo Group employees in the Human Resources Department, in each business function, and in external organizations.

We have also introduced and operated a system where a compliance officer of an group companies outside of Japan who discovers alleged misconduct of Senior Executive of the company may directly report to and consult with the Company's General Counsel (SEMRP:Senior Executive Misconduct Reporting Procedure).

Employee Survey on Ethical Culture in Japan

We conduct Employee Survey on Ethical Culture for executives and employees in the Company and Group companies in Japan periodically. In FY2020, approximately 9,500 individuals participated in the survey. We were able to identify the Company and Group companies' in Japan strengths and areas for improvement through this survey by analyzing factors such as the level of comprehension of their mission and compliance-related policies, compliance implementation, and development of internal systems. We will be conducting such employee survey on a regular basis, and based on the results, we aim to enhance our compliance programs at the Company and Group companies in Japan.

Establishment of Daiichi Sankyo Group Quality Policy

Pharmaceutical companies all over the world have experienced incidents where they have lost their reliability due to quality and/or compliance issues, which have given a tremendous impact on their management. The Daiichi Sankyo Group has also faced such incident before.
Now that the countries and partners to be managed by Daiichi Sankyo have been rapidly expanding and getting more complicated due to globalization of value chain, increase in number of alliance partners and subcontractors etc., it is necessary to foster a culture of "Quality First" in the Daiichi Sankyo Group and enhance our quality management throughout the Daiichi Sankyo Group to develop a strong organizational base. We established the "Daiichi Sankyo Group Quality Policy" as a superior global policy for all the Daiichi Sankyo Group companies for the purpose of building a system to be transmitted quality information to all levels of the organization in a timely and accurate manner, and to commit management and/or all employees to consistently address quality and compliance issues. By strengthening quality governance and the quality mindset, we will promote that every single employee including executives recognize the responsibility for quality and act autonomously, as well as maintain and continuously improve an effective quality system throughout the lifecycle of pharmaceutical products, from the development stage to launch and termination., which will contribute to the Daiichi Sankyo Group's materiality "Providing a stable supply of top-quality pharmaceutical products," "Providing the highest quality medical information" and "Promoting Compliance Management."

Ethical Marketing Practices

In addition to establishing our code in the Company and group companies in Japan and group companies outside of Japan in accordance with the industry code of each country and territory in which we operate based on the International Federation of Pharmaceutical Manufacturers & Associations Code of Practice ("IFPMA Code"), we established the "Daiichi Sankyo Group Global Marketing Code of Conduct" on October 1, 2016, as a global policy with the aim of maintaining a high level of standard when interacting with healthcare professionals, medical institutions, and patient organizations as well as promoting pharmaceutical products.

In this policy, we clearly state that relationships between the Company and each Group company and healthcare professionals must be maintained for the purpose of improving the quality of healthcare, with a focus on providing information on pharmaceutical products to healthcare professionals, providing scientific and educational information, and supporting medical research and education.

In line with the revision of the IFPMA Code in January 2019, we revised the policy, prohibiting the provision of gifts and promotional aids to healthcare professionals, etc. We also prohibit the provision of entertainment, cash, and other personal gifts and stipulates stricter terms and conditions of contract in cases where we pay remuneration to healthcare professionals as well as the appropriateness of the remuneration. In this way, we promote appropriate marketing practices in accordance with the IFPMA Code.

VOICE

Miyuki Kurihara
Ethics & Compliance Group,
Legal Affairs Department,
Daiichi Sankyo Co., Ltd.

Introduction of Global Hotline

The Daiichi Sankyo Group operates the hotline (a reporting channel) to foster an ethical culture in which all employees are encouraged to openly discuss what is right and what is wrong at their workplace.t. The global hotline newly introduced is available to persons outside the Daiichi Sankyo Group as well as employees of the Group companies in Japan and overseas for reporting and consultation in 19 languages, including Japanese and English. The global hotline also centrally manages consultations and inquiries regarding compliance on a global basis, through which we believe that we can identify allegations at the Daiichi Sankyo Group more comprehensively and take appropriate measures. However, we understand that introducing the global hotline cannot be achieved the intended purpose without employees' understanding the importance and fully utilizing it. We will continue our efforts to effectively operate the global hotline by communicating the protection of reporters and consulters as well as the purpose and importance of it to employees.

Promoting Environmental Management

The Daiichi Sankyo Group recognizes that environmental issues, including global warming and extreme weather, are worldwide issues which have impacts on our work and life, and we also understand that climate change is a risk that may affect our long-term business foundations such as, for example, a stable supply of pharmaceuticals. We work to promote environmental management based on these and we believe that doing so contributes to a resilient and sustainable society and helps build long-term corporate business foundations.

Measures for Climate Change

The EHS Management Policy (FY2021–FY2025) states that we should "Lower the environmental impact of the entire supply chain by conserving energy and resources, or reducing greenhouse gas emissions and waste," thereby promoting environmental management.

To facilitate responsible corporate activities that address climate change, we have set the goal of reducing CO_2 emissions in FY2025, the final year of the 5-year business plan, by 25% compared to FY2015, in order to achieve our long-term CO2 emissions target of 37.5% reduction (a target well below 2°C*1) in FY2030 based on the approach of the Science Based Targets initiative (SBTi)*2, which aims to help accomplish the goal of the Paris Agreement*3 of keeping the average increase in global temperature below 2°C. This CO_2 emissions target is certified by SBTi, and the Company has participated in the Decarbonization Management Promotion Network established by the Japanese Ministry of the Environment and cooperated in the Ministry of the Environment's SBT promotional activities.

In FY2020, the Daiichi Sankyo Chemical Pharma Onahama Plant started to operate a solar power system (3.3 megawatts of power output) in December 2020, which is one of the largest self-consumption power systems in the pharmaceutical industry in Japan. The plant reduced CO_2 emissions by approximately 470 tons in FY2020 and is expected to reduce CO_2 emissions by approximately 1,800 tons per year. The Daiichi Sankyo Europe Pfaffenhofen Plant has also installed power and will start operation in FY2021. The plant is expected to reduce CO_2 emissions by approximately 350 tons per year. We are actively advancing the use of renewable energy overseas in other sites, including Europe and Brazil that have also expanded the use of renewable energy.

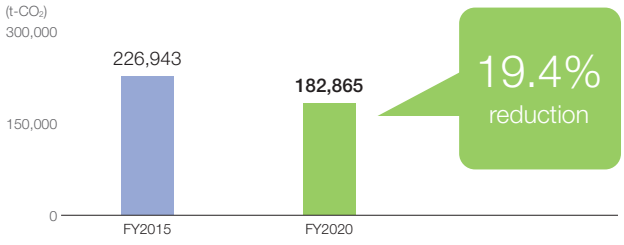
Our CO_2 emissions for FY2020 were 182,865 tons (19.4% lower than in FY2015). We have worked on not only "actions to mitigate" CO_2 emissions but also "actions to adapt" to influence from climate change that is inevitable in the medium- to long-term, including weather-related disasters that have apparently become more and more serious in recent years and in particular, flood damage, etc. which is a serious risk.

If rivers near research facilities and plants of the Daiichi Sankyo Group overflow, the Group companies in Japan could also be forced to suspend operations due to flood damage. Therefore, we are preparing for emergencies through initiatives such as the development of flood control manuals, etc. while assessing potential flooding risk at our research facilities and plants and identifying measures to minimize the most significant damage to property such as transformation units and outdoor facilities and injury.

We will plan for weather-related disasters as part of our business continuity plan to ensure a stable supply of pharmaceutical products.

*1 A target stricter than the target of 2°C set by SBTi in 2019.
*2 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.
*3 A legally binding international treaty on climate change. It was adopted by 196 Parties at COP 21 in Paris, on 12 December 2015.

CO_2 Emissions



Onahama Plant: the onsite solar power system

Promoting Environmental Management

Read more here. https://www.daiichisankyo.com/sustainability/the_environment/policy-system/

Response Based on TCFD* Recommendations

We set up a cross-departmental task force in FY2019 and reviewed business risks and opportunities up to FY2030 in connection with the impact of various events arising from climate change on our business activities and “the degree of such risk” and “how much will such risk be mitigated by taking measures.” We conducted a scenario analysis and publicized the results in FY2020. Furthermore, our climate-related risks and opportunities based on the TCFD recommendations we carried out are reflected in the environmental targets and plans in the current 5-year business plan (FY2021–FY2025), including promotion of the use of renewable energy and measures for flood damage risk, etc. of weather-related disasters becoming more or more serious in recent years as set forth on the left.

We will further improve climate change-related risk analysis and disclose more information in line with the progress of the current 5-year business plan.

* Task Force on Climate-Related Financial Disclosures

▶ Climate Change Risks Read more here. https://www.daiichisankyo.com/sustainability/the_environment/climate_strategy/#ancol

Measures for Environmental Risk

Because our member companies handle various chemical substances, the Daiichi Sankyo Group considers proper management of chemical substances as an important initiative and issue. To prevent air and water pollution, our plants in Japan have established voluntary control standards that are stricter than legal requirements and properly control the emissions at plants and research facilities in Group companies in Japan. Similar, Group company plants outside Japan also regularly monitor their emissions to ensure compliance with the laws and regulations of each country and region.

With the purpose of assessing the impact of water discharged from operation sites on the ecosystem, in FY2020, we continued to conduct WET testing* at all plants and research facilities in Japan (seven operation sites). As a result, we confirmed that the discharged water has no serious impact on aquatic organisms in rivers, etc. In FY2021, we plan to conduct annual WET testing as usual and additional testing depending on changes in wastewater load at all of our plants and research facilities in Japan to promote appropriate wastewater management and improve the quality of discharged water.

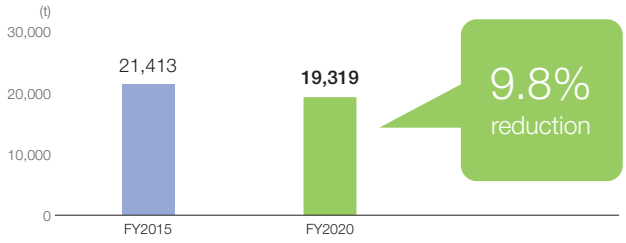
* Whole Effluent Toxicity Test. A testing method that utilizes the biological responses of fish, daphnia, and seaweed to determine the total toxicity of discharged water.

Efficient Use of Resources

We have established waste reduction and more efficient use of resources as important issues. Consequently, we seek to save resources through efforts such as the streamlining of resources used in manufacturing processes, the comprehensive separation of unnecessary and waste materials, the reduction of the total volume of unnecessary and waste material, and resource recycling. Whenever possible, we choose waste disposal firms that recycle thoroughly. In response to the continued focus on the problem of plastic waste, we have actively promoted waste recycling and increased the recycling rate of plastic (the percentage of the amount recycled to the total amount of waste generated) from 38.6% in FY2019 to 52.0% in FY2020. Under the current 5-year business plan, we will address the waste plastic problem and promote waste recycling by setting the target of 70% or more of the waste plastic recycling rate as a Materiality KPI. With respect to the use of water, we consider the ability to utilize a sufficient amount of good quality freshwater in the value chain to be extremely important to continue business activities.

While promoting efficient use of water, the Daiichi Sankyo Group has identified, by using the WWF-DEG Water Risk Filter, three plants in total in China and Brazil as being located in high water risk areas. We are paying attention to regulatory trends and making an effort to further optimize water usage in these areas. Specific measures include using recycled water for sprinklers and using rainwater for sanitary water and other daily usages.

▶ Waste Generated



VOICE

Creation of Environmental Value through Energy Generation

Junichi Takanashi
General Administration Department (right)
Yoshiaki Konrai
Onahama Plant (left)
Daiichi Sankyo Chemical Pharma Co., Ltd.

In 2018, we conducted the largest scale construction work of a plant at Onahama Plant involving the construction of new buildings, demolition of existing buildings and renewal of power transformer units at the same time as the launch of the solar power system introduction project. In December 2020, such new solar power system in Onahama Plant started operation while we were advancing transformation to the fields of oncology and bio-pharmaceuticals. We believe that the construction of Onahama Plant contributed to the reinforcement of the Daiichi Sankyo Group’s environmental management.

Our conventional energy saving initiatives have been focused on reducing energy use. An action by generating energy using a renewable energy system was a new challenge for us, which involved cooperation and collaboration of many related parties.

Based on this experience, we will examine further actions to help achieve carbon neutrality by 2050 and we believe that we can expect to extend the example of Onahama Plant to other plants of Group companies as the model of environmentally advanced plants.

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

The Daiichi Sankyo Group positions its people as its most important asset. We respect diversity and work to realize the mutual long-term growth of the company and the employees who act based on our Core Values of Innovation, Integrity and Accountability. We realize this by encouraging them to have a high level of engagement and contribution.

Cultivate Employees with Highly Competitive Skills

We define our human resource management under the Daiichi Sankyo Group HR Management Philosophy, fairly treating employees covered by our Core Values wherever they may be in the world, developing their talent and helping them make maximum use of it. Furthermore, by providing our employees opportunities to work with colleagues globally as well as opportunities for rotational assignments among our locations in different countries and regions to experience different cultures as well as different ways of working and thinking. This will enhance an environment globally in which diversity is respected and in that way, we generate a competitive advantage that benefits our global business activities.

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

For the companies comprising the Daiichi Sankyo Group to evolve into a"Global Pharma Innovator with Competitive Advantages in Oncology", the Group needs to keep delivering the values that only it can create, while adapting to environmental changes both inside and outside of the Group. We expect that our employees fulfill their potential, even in such changing environments, and also grow at work.

Based on the idea that our business is built on the growth of our employees, we have sought to provide them with more opportunities to take on challenges in multiple business areas through job rotation. For example, we launched the Create Our Future (COF) project in Japan in 2017 based on the principle of focusing on the success of our employees. In the COF project, we assigned a total of 803 employees to our priority areas, including oncology and bio-pharmaceuticals, over the three years up to April 2020.

On top of this project, we have implemented a Career Development Program (CDP) in Japan, a systematic framework to balance the growth of individuals and the development of the Group, to enhance our career development efforts.

For this CDP program, we have provided our employees in Japan with information they will need in making career choices, including job descriptions, and expected knowledge, work experience and skills required within the various departments, and career path models that provide employees with a clear direction regarding how they can develop their careers and continue to grow into other areas. This is available to our employees in Japan on our internal portal site.

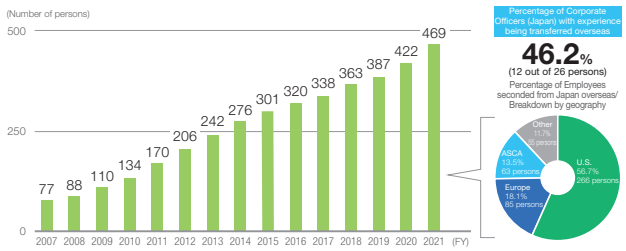
We have also implemented an Individual Development Plan, a self-fulfillment reporting system for Japan employees. The Plan allows employees to have a clear vision of their future career paths over mid-to-long-term, with various experiences gained through work as the driver for their change and growth. The Plan allows employees to identify their advantages and disadvantages through dialogue (interview) with their supervisors and thus align their envisioned career plans with those of their supervisors, and to help foster their awareness of the need to voluntarily forge their careers.

Further, to support individual employees who are voluntarily taking on challenges and are striving to improve themselves through autonomous actions, we have worked to enhance the measure for developing employees who are readily adaptable to changing business environments, including providing courses on specialized skills, training programs for career building for each generation, and the planning of DX related education programs (data literacy basics, data analysis applications) for all employees.

Promote Global Talent Management

Toward realizing our 2030 Vision, we have proactively recruited and employed qualified talents with broad experiences from both outside and inside of the Group. We have also developed a global talent management program to continue to develop leadership candidates. Specifically, we have identified the key positions required for realizing the management vision/mid-term business plan (a total of 20 positions identified as of April 2021) at the global level, ensuring the visibility of successor candidates and challenges surrounding the successor development. In addition, at other levels of the organization, we are also working to promote talent development measures tailored to employees' individual challenges, such as the provision of opportunities and positions that drive their growth, and the provision of training programs, to secure and retain talent. We have also actively provided international assignments and overseas study programs to allow future leaders to comprehend global business and expand their knowledge.

▶ Cumulative Number of Employees Newly Seconded from Japan to Group Companies Outside of Japan



Optimizing and Developing Diversified Talents to Create Globally Competitive Advantages

Koji Ogawa

Corporate Officer
Head of US Corporate Division,
Daiichi Sankyo, Inc.

• People Strategy at Daiichi Sankyo, Inc.(DSI)

At DSI, we created the 5-year People Strategy in 2020 to enable and support Daiichi Sankyo's business growth after listening to many leaders and employees as well as external experts. We have been implementing various prioritized initiatives and programs in the 3 areas: JOIN, GROW, and THRIVE. In the area of GROW, our programs for DSI employees include leadership development, manager training, online learning, talent review and a mentoring program.

• Providing employees with growth and learning opportunities to develop global talents and leaders

In order to prepare for the future of our group, we are developing our future leaders who can effectively perform in globalizing business environments. For example, we started an audio program in Japanese called "DS15 (Discovery Station 15)", where employees share ideas and learn from each other, in December 2020. For 15 minutes a day, 4 days a week, dozens of participants in Japan and more-than 80 expatriates at DSI listen to topics on challenges and issues faced by Japanese employees in global and foreign environments including required skillsets, career development, communications issues, and cross-cultural issues.

We also have a voluntarily managed English conversation class 5 to 6 times on average per week for Japan-based employees and expatriates assigned to DSI. It has been named the "Speakers' Corner" where about 30 to 50 people think and discuss useful topics for global management in English, including leadership, communication, team management and mindset. When we started a new "Basic English Class" this year, the 15 Speakers' Corner participants volunteered as teaching facilitators to expand the English learning opportunities for an additional 50+ participants.

We hold a "Learning Forum" in English every month, inviting a DSI-based leader to discuss leadership and management challenges based on their experiences. It is attended by more than 100 employees in Japan and expatriates in the US. For DSI employees, we hold periodic "Bento Club" sessions to introduce Japanese business culture and customs to all DSI employees as well as a mentoring program for those who would like an individual opportunity to learn with a mentor. Finally, we started and plan to expand a "Global Learning Circle" where employees both in the US and Japan can learn from each other in a small group setting.

• Cross-cultural work experiences in globalizing organizations

Our employees who understand the ways of working in Japan and cultural uniqueness of Daiichi Sankyo can and will be very important influencers and cultural driver toward the future Daiichi Sankyo's organizational culture. Work experiences in cross-cultural and global environments, and in particular how each individual spends time during their overseas assignment, also have significant impacts on personal growth. To really globalize, it is important to expand our overseas assignment programs to include more diverse and multi-directional talent assignments across regions and countries.

• Diverse Workforce

At Daiichi Sankyo, our leaders develop their own expertise and strength, embrace curiosity to seek for new challenges, and can create an environment where openness and flexibility can generate new and innovative ideas. Even if you physically work in Japan, or no matter which country you live in, there will surely be an increase in opportunities to lead and work with your team members in different countries or regions. The growth of Daiichi Sankyo as well as our individual employee's growth can occur in parallel as we pursue to collectively optimize the organizational performance through the diverse Daiichi Sankyo workforce around the world.

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

"Be Inclusive & Embrace Diversity"

The Daiichi Sankyo Group companies take a broad definition of diversity, which includes not only nationality, race, gender, age and other protected categories but also varying specialties, approaches, values and lifestyles. The Group companies aim to further drive their growth by nurturing an environment where every one of their employees respects each other and by proactively accommodating a variety of perspectives at work.

Initiatives to Promote the Active Role of Women in Japan

Based on the newly developed Action Plan for Empowering Women toward FY2025, the Group companies in Japan have worked on a broad range of initiatives for empowering women, including continuing to develop female candidates for managerial positions, supporting work-life balance, and fostering a positive workplace culture.

Since FY2019, we have held career design seminars (online webinars) for female employees in Japan whose careers may be easily impacted by life events, while since FY2020, we have broadened the scope of participants to include all employees in Japan to provide them with opportunities to think about their own career paths with life changes as their drivers.

We also held a meeting in Japan for exchanging opinions about the development of female candidates for management between the Group's management and SWAN, a network of women in managerial positions. From the perspective of fostering a positive workplace culture, through seminars targeted at newly appointed managerial employees, we have been striving to promote the understanding of how an organization can be managed in a manner to appreciate the variety in team members, view these differences as strengths, and thus improve the capability of the organization.

Going forward, in Japan, we will continue to push forward with initiatives based on our action plan to enhance our workplace environment in which female employees can develop their careers over the long term and work energetically.

▶ Detailed Initiatives and Timeline of the Action Plan for Further Empowering Women in Japan from FY2021 through FY2025

Initiative 1: Proactively develop female candidates for managerial positions (Japan)	
April 2021 -	Promote the development of female candidates for managerial positions and associated follow-up measures
Initiative 2: Implement activities to ensure new career development and provide growth opportunities for women	
April 2021 -	Understand and analyze the current status of career development and growth opportunities for women, consider implementing/implement programs, events, and networking activities that lead to new opportunities for career development and growth for women
April 2022 -	Consider implementing/Implement measures to ensure career development and provide new growth opportunities for women in Japan
Initiative 3: Enhance and strengthen the system that facilitates more flexible workstyle and thus leads to continued retention of employees	
April 2021 -	Expand telework, newly establish a system of leave as part of the support for career development, incorporate productivity into personnel evaluation metrics, and implement measures to improve workstyle/the way of taking a leave from work
April 2022 -	Enhance measures/systems to facilitate flexible workstyle and promote such measures/systems
By March 2026	Foster a work environment in Japan in which employees feel it's easier to take a leave from work toward the goal that employees taking 18 paid holidays a year by FY2025
Initiative 4: Operate the personnel management system in Japan in a manner to support employees in balancing work and family	
April 2021 -	Consider implementing/implement measures in Japan to help balance work and family, and continue to encourage men to take parental leave
October 2021 -	Implement measures in Japan to encourage male employees to share household chores and childcare
Initiative 5: Foster awareness of inclusion & diversity (I&D) at workplace	
April 2021 -	Clearly define and publish I&D policies, and incorporate detailed I&D discussions in a variety of training programs in Japan
October 2021 -	Hold seminars and e-learning opportunities on I&D

Creating a Workplace Environment that Empowers People with Disabilities (Japan)

We set a mid-term policy for the employment of people with disabilities in Japan, and promote such employment at Group companies such as Daiichi Sankyo Happiness (a special subsidiary company that meets the terms of the Act on the Promotion of the Employment of Disabled Persons). Daiichi Sankyo Happiness subdivides and simplifies workplace tasks to enable people with disabilities to be active participants, undertaking work from various other Group companies. In appreciation of these activities, Daiichi Sankyo Happiness was awarded the "Monisu Certification*" on March 29, 2021, and as a result, is listed as one of the companies that excel in the employment of people with physical and mental disabilities on the websites of Kanagawa Labor Bureau and the Ministry of Health, Labour and Welfare.

The employment rate of people with physical and mental disabilities for all the Group companies in Japan stood at 2.33% (vs. the legally required employment rate of 2.3%) as of July 2021.

* A new system whereby the Minister of Health, Labour and Welfare in Japan grants certification to outstanding small- and medium-sized business owners for their efforts in promoting and stabilizing the employment of persons with disabilities

Preparing LGBT-Friendly Environment

We have promoted the understanding of LGBT to employees in Japan and the introduction of a system to support LGBT with the aim of creating a LGBT-friendly work environment. Specifically, we have provided a heads-up about outing* in the content of training programs, and have revised the internal system so that same-sex partners of Japan employees can be eligible for support equivalent to those given to legal spouses since October 2020 in Japan. In appreciation of these efforts, we were awarded a bronze prize at "work with PRIDE 2020."

* Act of revealing a person's sexual orientation or gender identity without the consent of the person.

Employee Health and Work Style Reforms

"To Contribute to the enrichment of quality of life around the world," the Daiichi Sankyo Group's purpose, it is essential that we first secure the physical and mental health and safety of our employees. To create a company in which each individual employee can work energetically in the best of physical and mental health and make maximum use of their capabilities, the Daiichi Sankyo Group has implemented a variety of employee health management and working environment related measures.

Enhancing Health and Productivity Management

Priority measures taken to promote health globally include: 1) implementing measures against lifestyle-related diseases, 2) improving mental health, and 3) building an environment to encourage employees to receive medical checkups.

As for absenteeism (the number of employees who took non-work related accident/sick leave for 30 days or longer), we have worked on measures to improve the health of our employees around the world with the aim to reduce the rate by 20% from the level in FY2019 by FY2025.

To further drive initiatives to help employees maintain/improve health in Japan, we have established the position of Chief Health Officer (Japan domestic) , whereby the Company in Japan, its health insurance association and its labor union have collaborated in promoting health enhancement measures. Within the 5-year business plan, which started this year, we have set specific benchmarks and targets to strengthen a range of efforts toward achieving the plan.

Evaluation Metrics/Targets for Maintaining/Improving Health (Group Companies in Japan)

Evaluation metrics		Actual benchmark results (FY)	Numerical targets		
			FY2021	FY2025	Comments
Number of employees who took non-work related sick leave for 30 days or longer		99 persons (2019)	No numerical target*	80 persons	Down 20% from the standard value
Percentage of loss from presenteeism		18.3% (2020)		14%	Down 20% from the standard value
Percentage of individuals with anomalous findings	Blood lipids	40.6% (2019)		30%	Improved to less than the general average in Japan (based on data provided by KENPOREN, National Federation of Health Insurance Societies, in 2019)
	Blood pressure	22.9% (2019)		16%	
	Hepatic function	21.3% (2019)		15%	
Incidence of accidental falls at work		24 cases (2018)		12 cases	50% lower than the standard value
Percentage of employees dealing with high-stress		4.0% (2020)		3.0%	
Rate of participation in health events		8.1% (2020)	15%	40%	Number of participants in event/all employees
Ratio of conducting specific health guidance		39.6% (2019)	50%	70%	Updated to the aggregated results after the end of the final fiscal year
Smoking rate		16.9% (2019)	13%	8%	0% in FY2030

* No single-year target is set as improvement is difficult within a short period of time.

Support for Diverse Work Styles and Work Hour Management in Japan

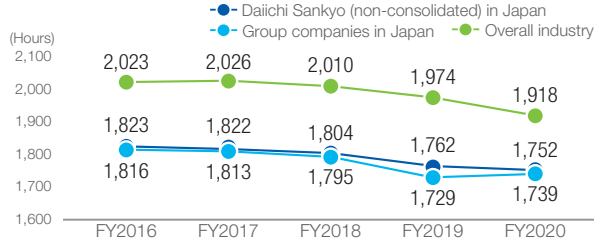
The Group has continued to make efforts to create an environment in which a diverse range of employees can work comfortably, through initiatives, such as appropriate work hour management, the introduction of flexible working arrangements, the implementation of a telework system for all employees, the introduction of systems for balancing work and childcare/caregiving/medical treatment and related seminars and discussion meetings. Since FY2020, as the DS Smart Work initiative, we have worked to continuously create additional values and promote meaningful work with a view to improving productivity and engagement of each employee. Through innovating new ways of working, we have sought to create more time, aiming to enable employees to have more time away from work, thereby achieving the promotion of the work-life cycle.

To prevent employees from working excessive hours, since FY2019 we have put in place a working hours interval system, which requires employees to take at least an 11-hour break between finishing work and returning to work the next day. In addition, in Japan, the Company has set a standard upper limit on the number of work hours since FY2018. This limit applies to all employees, including those under the discretionary work system. The employee labor union and management collaborate together for other initiatives such as providing guidance and implementing work improvements for health management. In FY2020, the total annual working hours at the Daiichi Sankyo Group companies (in Japan) were 1,739 hours, 179 hours shorter than those in the overall industry.

A Diverse Range of Work Hour Adjustment Systems in Japan

Work hour adjustment system		Principal application
① Fixed time system		Production division
② Flex time system		Corporate staff division
③ Discretionary work system	For planning work	Corporate staff division
	For specialized work	R&D division
④ System for working hours treated as off-site		Sales division
⑤ Not subject to work hour management		Those in managerial positions

Total Annual Working Hours



Respect for Human Rights

The Daiichi Sankyo Group established the Daiichi Sankyo Group Human Rights Policy in June 2020. Fundamental to the belief that respect for human rights is at the foundation of the corporate activities, we engage in line with our mission, and are strengthening various human rights initiatives.

Establishment of Human Rights Policy

The Daiichi Sankyo Group established the Daiichi Sankyo Group HR Management Philosophy in April 2012. Since then, we have worked to enhance our workplace environment, in which we respect employees' diversity and take their health and safety into consideration. We specify our respect for human rights in the Daiichi Sankyo Group Corporate Conduct Charter revised in April 2019, and the Daiichi Sankyo Group Employee Code of Conduct established in April 2020. In June 2020, the Daiichi Sankyo Group Human Rights Policy was established following the approval of the Company's Board of Directors.

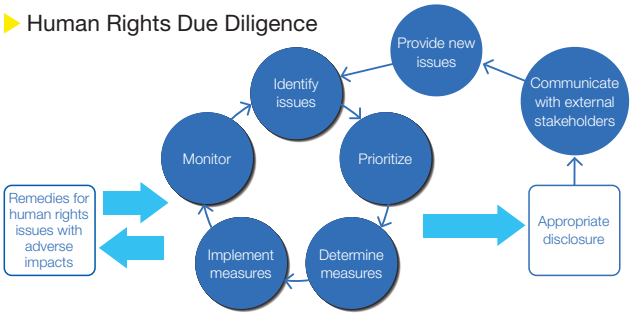
In terms of the Human Rights Policy, as we engage in our corporate activities, we comply with all human rights related laws and regulations, respecting international codes of conduct and fundamental regulations on human rights, including the Universal Declaration of Human Rights. At the same time, the Group also identifies human rights related issues in connection with our business activities from the perspectives of "Responsibilities as a global pharmaceutical company," "Human rights in our supply chain," and "Responsibilities in the workplace."

In FY2020, we started to conduct human rights due diligence* by setting up an internal team to address human rights issues. We will continue to make efforts to avoid a negative impact on human rights, which could occur resulting from our business activities.

And from FY2019, the Group has reported the initiatives to prevent modern slavery and human trafficking in our business activities including our supply chain in accordance with the United Kingdom Modern Slavery Act 2015.

* A framework to assess, identify, prevent and mitigate any actual or potential human rights risks arising from our business activities

Human Rights Due Diligence



Implementation of Human Rights Risk Assessment

In FY2019, the Company conducted human rights risk assessment to examine the status of the risk management in five areas (wages, discrimination/inhumane treatment, human rights in our supply chain, human rights of participants of clinical trials, and access to healthcare).

Subsequently in FY2020, a questionnaire survey was conducted for all group companies conducting business operations. In FY2021, we will promote human rights initiative based on the issues from the survey.

The Contents of the Questionnaire

Item	Contents
Dissemination of human rights policies	Status of Human Rights Policy dissemination, Status of implementation of trainings related to human rights
Address to human rights issues	Forced labor and human trafficking, Child labor, Discrimination, Freedom of association and collective bargaining rights, Working hours, Wage and employment contract, Inhumane treatment, Privacy, Negative impact on local communities, Health and safety, Considerations for human rights in research and development
Management	Stakeholder engagement, Operation of reporting channels, Status of responsible procurement

Awareness Raising Activities on Human Rights

In FY2020, in order to raise the awareness of the Daiichi Sankyo Group Human Rights Policy and to create an opportunity for our personnel to think of our human rights initiatives more closely, we provided all the employees of group companies in Japan with e-learning programs for business and human rights under the theme of "Respect for human rights—Toward a sustainable society ", and had an attendance of 96.9%.

In addition, in Japan, we held e-learning programs on work-place harassment, understanding of LGBT, and encouragement of men's participation in childcare.

A general compliance training including certain aspects of human rights has been issued within the group companies in the United States, and a training on the German Equal Treatment Act for people managers for group companies in Europe (Germany)

We will continue to conduct awareness raising activities on human rights.

Respect for Human Rights of Participants in Clinical Trials

The Company has established the Global Policy of Clinical Trials Standards and conducts clinical trials in accordance with global standards, in consideration of the human rights and safety of participants in clinical trials and based on high ethical and scientific standards.

Clinical trials are conducted in compliance with applicable regulations, the Declaration of Helsinki*1, and ICH*2-GCP*3, upon obtaining individual's voluntary will after detailed explanation (informed consent).

The Company conducts all clinical trials after both ethical propriety and scientific validity are confirmed in accordance with the internal review processes. In particular, the Company ensures the first-in-human study is appropriate ethically and scientifically through clinical trial review meetings that include qualified physicians as review members. Furthermore, clinical trials are conducted after an external independent committee (Institutional Review Board / Independent Ethics Committee) also reviews the ethics (human rights of trial participants, etc.) and scientific validity, and approves the conduct of clinical trials.

The company ensures the training of the standard operation procedures aimed for ICH-GCP and clinical trial ethics to people who are engaged in clinical trials.

An independent department of the Company conducts the audit of clinical trial activities and drives remedial actions and preventive measures.

*1: Ethical principles for medical research involving human subjects.
*2: Abbreviation of "International Council for Harmonisation of Technical Requirements for Pharmaceuticals for Human Use."
*3: Abbreviation of "Good Clinical Practice" implementation standard of clinical trials of pharmaceuticals.

Initiatives for Human Rights in Procurement

The Daiichi Sankyo Group stipulates in Article 2 of the Daiichi Sankyo Group Corporate Conduct Charter that "We respect international norms, diverse cultures and customs, conduct business in a fair manner through free and fair competition, and conduct responsible procurement by complying with laws and regulations in each country and region in which we do business," and represents "sustainable procurement" in the Daiichi Sankyo Group Procurement Policy . In the Business Partner Code of Conduct established pursuant to the Procurement Policy, the Group sets our expectations for business partners, that provide us with products and services, to comply with and respect various international norms, including human rights. Based on this Code, we conduct CSR Self-Assessment Questionnaire Surveys on a three-year cycle, aiming to increase communication with business partners. We conducted the second survey for FY2020–2022. The questionnaire for the survey includes items related to human rights.

Additionally, the Group is working on building a system to understand apparent risks of our business partners by using an external data source, enabling to act for improvement.

Through these activities, we will advance initiatives for human rights in procurement.

▶ For Sustainable Procurement Read more here. https://www.daiichisankyo.com/about_us/responsibility/ethics-compliance/procurement/

Promotion of Inclusion and Diversity

In the Group, the Human Resources Department of Daiichi Sankyo is in charge of matters related to the promotion of inclusion & diversity together with Human Resources Department of each group company. The Group takes a broad definition of diversity which includes not only protected categories such as, for example, nationality, gender, race, age and other personal attributes, but also the different specialties and approaches as well as values and lifestyle required for each job. We believe that if all employees of the Group actively accept each other's diversity, they will exhibit their abilities to the greatest extent possible, which, as a result, will contribute to the development of global business and the creation of innovation. Based on this idea, we engage in initiatives to foster a culture of mutual respect among employees.

As a global initiative, we promote "Creating ONE DS Culture Through Fostering Our Core Behaviors," which is included in the strategic pillars of the current 5-year business plan.

"Be Inclusive & Embrace Diversity" is one of the Three Core Behaviors, which will be embedded across the entire group companies, and means that the Group achieves larger goals through incorporating diverse perspectives into work while valuing each person. As an implementation of the Core Behaviors, we established the Global I&D project to promote inclusion & diversity by facilitating collaboration among representatives of the Group's global bases through regular information sharing.

For specific initiatives for Inclusion and Diversity (I&D), refer to page 77

Japan Business Unit

Satoru Kimura

Head of Japan Business Unit

Satoru Kimura was engaged in work related to domestic sales of pharmaceuticals after entered the company in 1981. He assumed Representative Director, Senior Executive Officer in June 2021, after serving as Vice President of Kyoto branch, Sales & Marketing Division of Japan Company of the company.

Business environment projection and the unit's vision in 2030

Technologies of diagnosis, treatment, and drug discovery are continuously advancing. As digital transformation is accelerating, the environment will change in the next ten years faster than that in the previous ten years. Similarly, the healthcare environment may dramatically change.

However, no matter how much the healthcare environment changes, the basis of our activities is to "contribute to the enrichment of quality of life around the world," which is our purpose. We always aim to be an ethical, trusted, and respectful partner, and continue to contribute to healthcare.

We will strive to contribute to healthcare in Japan as the number one company in Japan by appropriately responding to all the customers' needs including treatment and prevention of diseases and medical cost reduction. For this, we pursue comprehensive business development. This includes the innovative pharmaceuticals business, vaccine business, and the generic business.

Strengths to be leveraged/enhanced for sustainable growth Strategies/initiatives to address the challenges

We believe that one of our strengths in the innovative pharmaceuticals business is trust from healthcare professionals.

We cover a wide range of therapeutic agents such as those for cardiovascular diseases including thromboembolism; lifestyle-related diseases; diseases related to the central nervous system including migraine headache and epilepsy; and diseases related to pain. With the aim of total care focusing on patients, we provide healthcare professionals with useful, thorough, and correct information quickly. As a result, we have continuously been ranked No.1 for MR evaluation conducted by an external organization for years.

In 2020, we launched *Enhertu* in Japan, and expanded our business to the oncology field. We endeavor to provide doctors with thorough information on not only cancer therapy but also any possible subject such as complication and comorbidity so that they can select the best therapy for each patient. This is the sales approach we are pursuing, and it is what we can do as we have a wide range of pharmaceuticals. Trust from healthcare professionals cannot be gained overnight. We will make efforts to further enhance our sales capabilities so that we can provide higher-level information, in a timely manner and in a form required, to respond to a wide range of ever-changing needs based on experience in the primary care field we have built. With such efforts, we strive to be the most trusted healthcare partner also in the oncology field.

We aim to achieve a top level of sales in Japan and continue to grow. To achieve this, it is important that we strive to conduct activities to enhance the value of our products including maintaining drug prices to fit the product value as well as revisions of guidelines through evidence generation and dissemination and application of additional indications and dosage forms. In particular, we will collect, analyze, and evaluate unmet medical needs to strengthen the system of generating and disseminating evidence at an advanced level in the oncology field.

At the same time, facing the threat of infectious disease around the world, we recognize that our vaccine business has a large social responsibility. We strive to fulfill the responsibility of stably providing vaccines we produce. In addition, we will contribute to the society by promoting the development of vaccines that protect against emerging and re-emerging infections and developing a vaccine supply system to respond to future pandemic threats. Today, the generic business plays a role in the improvement of the medical insurance system in Japan. We continue to stably provide high quality generic medicines that not only reduce the economic burden of patients but also have features. These include authorized generics and medicines with formulation, labelling, and packaging innovations that are easy to swallow but hard to swallow accidentally. Furthermore, we will continue to provide pharmaceuticals considering patients and their families as well as healthcare professionals.

Oncology Business Unit

Ken Keller

Head of Oncology Business Unit

Ken Keller is President and CEO of Daiichi Sankyo, Inc. and head of the Global Oncology Business. Since joining Daiichi Sankyo, Inc. in 2014, he has shifted the structure of the U.S. business to focus on launching multiple oncology therapeutics in the coming years. Through his work with Daiichi Sankyo, and prior to that with Amgen Inc., Mr. Keller has more than 30 years of experience in the pharmaceutical industry. He is known for his inclusive leadership approach and his passion for bringing innovative drugs to patients in need.

Business environment projection and the unit's vision in 2030

The Oncology Business Unit (OBU) is committed to achieving Daiichi Sankyo's 2030 Vision to become an "innovative global healthcare company contributing to the sustainable development of society." By aligning our U.S. and European oncology businesses and global oncology functions together under the new OBU in April 2021, we are now one unified team singularly devoted to people with cancer. As we look to become a top leader in oncology – we will do so by launching our three lead ADCs across a dozen indications in 30 countries potentially benefitting more than 50,000 people worldwide by 2025. The field of oncology moves fast; our OBU will allow Daiichi Sankyo to move at the speed in which the oncology field innovates; accelerating our decision making and increasing our agility to respond to the rapid changes we see in standards of care, treatment and diagnoses patterns, and payer dynamics, ultimately making us well positioned to realize the 2030 Vision. Together, and in collaboration with the rest of the organization, the OBU will bring an unprecedented focus to the delivery of our oncology medicines to patients around the world.

Strengths to be leveraged/enhanced for sustainable growth Strategies/initiatives to address the challenges

Achieving our long-term 2030 Vision and contributing to sustainable growth requires us to work collaboratively within the OBU as well across the organization to deliver on Daiichi Sankyo's global purpose to bring life-changing medicines to patients, customers and society overall. Our ADC pipeline has the potential to transform the current standard of care across multiple types of cancer including breast, lung, colorectal, gastric and more. We know the needs of the oncology community continue to rapidly change – from diagnosis patterns to standards of care. We must continue to evolve and adapt – operating with agility and simplicity – to deliver for our patients and customers. This is what we have done with *Enhertu*® and *Turalio*® – leading to their successful growth to date.

We are pleased with the overall adoption of *Enhertu*, as market share continues to grow quarter over quarter. Since our initial launch in December 2019, we have a more robust understanding of how *Enhertu* is being utilized in the real world with experience from approximately 5,000 patients receiving treatment. Our core strategy is to provide a strong support system enabling the appropriate use of *Enhertu* for adult patients with unresectable or metastatic HER2 positive breast cancer who received two or more prior anti-HER2-based regimens in the metastatic setting, and for adult patients with locally advanced or metastatic HER2 positive gastric or gastroesophageal junction (GEJ) adenocarcinoma who have received a prior trastuzumab-based regimen and educating healthcare professionals on the management of interstitial lung disease associated with *Enhertu*.

Since launching *Turalio* in 2019, both medical oncologists and orthopedic oncologists have been receptive to using it to treat appropriate patients with tenosynovial giant cell tumor (TGCT). Moving forward, we are concentrating our efforts on educating stakeholders about the disease, given it is a very rare disease and awareness has been very low, in addition to the risks and benefits of *Turalio*. We are also connecting physicians and patients to Sarcoma Centers of Excellence, helping to ensure that these providers are trained and REMS-certified to prescribe *Turalio* to appropriate patients.

It's important to keep in mind that people are at the heart of our business, whether it is the patients, customers or employees. It's our obligation and responsibility to deliver our medicines to patients and we have an incredible team of people within the OBU and across Daiichi Sankyo working collaboratively to make this happen. Together we will achieve our 2030 Vision.

EU Specialty Business Unit

Jan Van Ruymbeke

Head of EU Specialty Business Unit

Jan joined Daiichi Sankyo in 2012 as Managing director, CEO at Daiichi Sankyo Europe GmbH. A medical doctor by education, Jan joined the pharmaceutical industry at Cilag Benelux (a Johnson & Johnson Company) in 1989. After a short period in medical affairs, he moved to marketing and sales. From 1996 he was Janssen-Cilag Hungary's General Manager. At Novartis, from 2000, Jan was county president in South Africa. In 2005 he joined Grunenthal where he worked as General manager Spain and Iberia and as Head of Latin America till joining Daiichi Sankyo in 2012. Throughout his career Jan's focus has been on driving profitable growth by restlessly focusing on customer needs and creating customer centric organizations.

Business environment projection and the unit's vision in 2030

Historically, Daiichi Sankyo in Europe focused on cardiovascular products which enabled us to become true experts in this area. Based on this wealth of experience, capabilities, and customer understanding, we defined our aspiration accordingly: "We want to be recognized as the benchmark for patient and customer centricity through delivering the best customer experience." Our ambitious goal is to exceed our customers' expectations. We want to achieve this by designing and delivering on customer experience collaboratively. Thus, we will be able to increase customer satisfaction, loyalty and advocacy which will be the driver for sustainable growth and contribute to our company's 2030 vision.

From a European perspective we also appreciate the 2030 vision's focus on our role in society. With environmental, social and access aspects becoming increasingly important, we are keen on contributing our part. Elements are the further reduction of our environmental impact, e.g. by using solar energy at our Pfaffenhofen site or by actively shaping a culture that fosters Inclusion & Diversity to make sure everybody can thrive at Daiichi Sankyo.

Strengths to be leveraged/enhanced for sustainable growth Strategies/initiatives to address the challenges

Becoming the benchmark for patient and customer centricity requires us to constantly learn and adapt. We must evolve together with our customers and always be aware of their needs and current and future challenges. This requires us to change our mindset and to constantly ask ourselves whether we are still on the right track. While not everything we do is and will be digital, digital capabilities will nevertheless help us to tackle these challenges.

Digital tools offer enormous opportunities, e.g., based on data analytics we can better tailor our offers. By gaining a deeper understanding of what our customers require to make the right decisions for their patients. we are better able to use the limited time we have with them. The pandemic served as a catalyst for this development. We established a Digital Excellence group in our Specialty business which focusses on exactly this: how can we use digital solutions to better understand and address customers' and patients' needs.

Part of this journey also includes changing to a bespoke omnichannel go-to-market model for us to offer a unified customer experience.

Our cardiovascular portfolio is also an opportunity since it allows us to create synergies at customer level and be recognized as a partner of choice.

In addition, this portfolio approach helps us to be more efficient. While our anticoagulant *Lixiana*® (edoxaban) is advancing in its life cycle, we can put our capabilities and capacities to very good use with *Nilemdo*®/*Nustendi*® (bempedoic acid/ bempedoic acid with ezetimibe). Applying our resources across our cardiovascular portfolio, thus increasing return on investment, allows for reinvestments into other growth areas and future opportunities for further sustainable growth of the entire company.

All of this is only possible with the best people. Only people who are engaged, inspired, and dedicated will be able to deliver the best customer experience to fully realize the potential of our current product portfolio – people with the right mindset, values, and behaviors with an emphasis on commitment to customers and a collaborative and agile way of working, as well as empowerment and diversity. Attracting, retaining, and developing this talent is key for the success of our Specialty business in Europe.

ASCA Business Unit

Kiminori Nagao

Head of ASCA Business Unit

Kiminori Nagao assumed President of ASCA Company in April 2021. He has been engaged in work for development of new drugs since joining the company in 1988. As the Vice President of Development Division, his previous job, he promoted development of new drugs globally including Japan and Asia. For two years from 2014, he was in charge of clinical development and regulatory affairs of Asian countries except for Japan.

Business environment projection and the unit's vision in 2030

There are situations that the policies of drug price control are strengthened for products including long-listed products since the national health insurance finances is under pressure in the countries in Asia, South & Central America (ASCA). Such policies include VBP* in China. On the other hand, the oncology market in the ASCA countries is expected to grow significantly. Especially, there is a possibility that China becomes the largest market. We aim to "contribute to the enrichment of quality of life around the world," which is our purpose, by delivering our oncology products to more patients as quickly as possible.

We will strive to grow Daiichi Sankyo's presence globally by continuously launching the new products in the primary care and oncology fields, and by increasing the market share of *Lixiana*. We aim to double our sales and profits in the next ten years to strengthen the business of Daiichi Sankyo in Asia and South & Central America.

* VBP: Volume-Based Purchasing/Procurement. A policy of price reduction on drugs including generic drugs of which the government confirmed equivalence.

Strengths to be leveraged/enhanced for sustainable growth Strategies/initiatives to address the challenges

ASCA Business Unit is responsible for export business for our partners as well as our own business activities of seven group companies in China, Taiwan, South Korea, Thailand, Vietnam, Hong Kong, and Brazil. Every country has a different environment but each of the group companies has secured favorable sales and profits even after patent expiration of the products through their professional promotional activities with strong brand awareness in the primary care business. As a whole, the unit has steadily grown since its establishment in 2010.

Recently, however, as there is a large impact from countries' policies of drug price control, business transformation and continuous launches of new products are required. To respond to this, we have been working hard to establish the system and basis in each country for the oncology business which is expected to be our growth engine and expand our presence. We aim to launch new products in China within two years after their launch in the U.S. by accelerating the development in China. For this, we will reshape the development function in China and enhance our collaboration with related functions. We also aim to expand our footprints to deliver oncology drugs to more patients as quickly as we can.

We will maximumly expand business with a focus on appropriately capturing changes in each of the market; enhancing our strength, relationships between Daiichi Sankyo and stakeholders; and using digital and smart marketing. In addition, we will strengthen the business platform of each group company through measures such as licensing-in the products both in the primary care and oncology fields considering the portfolios as well as improving the efficiency of promotional activities. In China, as there is a significant impact from VBP, a certain degree of the decrease in sales and profits of the products selected for VBP might be unavoidable. We will try to enhance sales and secure profits by selecting appropriate sales channels and customer segments in light of the characteristics of our products and market needs.

During the period under the current 5-year business plan, we continuously focus on primary care business where the products like *Lixiana* are major contributor to the ASCA business. At the same time, we intend to make substantial investment in the oncology business so that it can expand the business in the ASCA regions in 2026 and beyond. Further, we make our best efforts to contribute to Daiichi Sankyo's 2030 vision by continuously uncover unmet needs in each country and responding to those needs.

American Regent Unit

Paul Diolosa

Head of American Regent Unit

Paul assumed the role of President and CEO of American Regent, Inc. in April 2021. Paul has spent the past 13 years committed to implementing significant investments in the company's facilities, equipment, people, and practices, including a state-of-the-art manufacturing expansion with a capacity to help millions of patients. His leadership in modernizing manufacturing operations led to promotions of increasing responsibility since he joined the company in 2008. Prior to joining American Regent, he served as Director of Engineering at Altana Pharmaceuticals for 10 years.

Business environment projection and the unit's vision in 2030

American Regent, Inc. (ARI) employs over 1,150 people in New York, Ohio, Pennsylvania and Altkirch, France. We are a leading injectable medication specialty pharmaceutical company. The company has a long history of supplying a variety of drugs including branded IV iron, high quality injectable generics, and veterinary medicines, primarily to the U.S. marketplace. ARI will continue to strive for year-over-year revenue growth. Growth will be a multi-faceted approach, including continued focus on strong compliance, generic complex development, international expansion, portfolio optimization for CapEx utilization, Animal Health business growth and partnership through business development and M&A. Most importantly, success will be driven by strong compliance, cGMP focus, a culture of teamwork/collaboration, employee focus and care for patients.

Strengths to be leveraged/enhanced for sustainable growth Strategies/initiatives to address the challenges

ARI's product portfolio is comprised of an iron injection franchise with two leading products, *Venofer*® and *Injectafer*®, for the treatment of iron deficiency anemia, a generic injectable franchise with a portfolio of difficult-to-manufacture, sole-sourced, and competitively differentiated products, and a rapidly growing branded Animal Health injectable franchise. Our largest challenge is patent expiration of Injectafer in 2028 with a mitigation strategy of extending through the indication of Heart-FID clinical trials.

Taking advantage of our capabilities to develop difficult-to-manufacture and complex products, we continue to expand our portfolio of competitive products. Our broad portfolio of more than 30 marketed products is constantly evolving to meet our customers' needs and stay ahead of the dynamic generic marketplace.

The iron injection franchise focuses on two products: Venofer, which is used to treat iron deficiency anemia (IDA) resulting from chronic kidney disease, and Injectafer, which is indicated to treat IDA resulting from chronic kidney disease, as well as from various other causes, but cannot be used in patients undergoing dialysis.

Due to its ability to treat a wide range of conditions and the convenience of being able to completely dose patients in only two administrations, Injectafer has enjoyed a rapid growth in market share since it was launched. To achieve further growth, Injectafer has increased its voice to meet GI and OB/GYN customer needs and continued awareness among dissatisfied oral iron patients.

These two products boast a combined share of the U.S. iron injection market of more than 70%, making ARI the undisputed leader in this market. With regard to life cycle management and expanded indications, Injectafer is currently enrolling a HEART-FID clinical study. This study will assess the efficacy and safety of iron therapy using Injectafer relative to placebo in treating patients with heart failure, iron deficiency, and a reduced ejection fraction.

ARI manufactures, markets, and supplies generic injectable products in vial and ampule presentations. The company has been launching new products continuously and successfully to achieve sustainable growth. ARI is focused on product development and successful submission of multiple supplemental and new drug applications in FY2021 and beyond, targeting a minimum of 5 filings and 5 product launches per year. The significant capital investment in plant manufacturing capacity to become one of the top suppliers in the U.S. generic injectable market for vials, and we will soon be introducing pre-filled syringes.

ARI's Animal Health franchise is anchored by *Adequan*®. *Adequan*®*i.m*. which is recommended to treat degenerative joint disease (DJD) in horses. *Adequan*® *Canine* is recommended for the control of signs associated with DJD and is the only FDA-approved disease-modifying osteoarthritis drug (DMOAD). Future growth opportunities for this franchise have been secured with the internal acquisition of the Daiichi Sankyo Altkirch API manufacturing facility, currently undergoing investment to increase output. Studies are being planned to provide data to support subcutaneous injection for feline and canine. Successful generation of data will allow for ease of home injection by pet owners, increasing use and patient population. With 190 million cats and dogs in the United States and a 20-50% arthritis rate, there is enormous potential for growth. We will also plan on introducing a Chymase inhibitor injection for rash/itchy skin and Ephisol for improved circulation in horses.

American Regent is proud to be a Daiichi Sankyo company, providing innovative care for patients.

Daiichi Sankyo Healthcare Unit

Katsuhiko Yoshida

Head of Daiichi Sankyo Healthcare Unit

Katsuhiko Yoshida entered Fujisawa Pharmaceutical Co.,Ltd. in 1983.
He assumed Representative Director, President of Daiichi Sankyo Healthcare Co., Ltd. in April 2019, after serving as a Director and head of Corporate Strategy Division of Zepharma, and as a Corporate Officer and Head of Corporate Strategy Division of Daiichi Sankyo Healthcare Co., Ltd..

Business environment projection and the unit's vision in 2030

The way we live and work will be changed within 10 years as population aging is advancing along with the declining birthrate as well as rapid progress of technology typified by AI and IoT. The relationships with other countries including Asian countries are getting closer and closer in business and culture. Today, at the same time, as natural disasters caused by global warming rage, response to the environmental crisis is the whole premise of every corporate activity. Even in the era of drastic changes, our mission—contribution to health and beauty—has never changed at all. We endeavor to help people of every generation increase their quality of life in the era of 100-year lifespan through our creative products and information. In addition, we will make efforts to protect the environment for future generations and contribute to achievement of a sustainable society where life is respected. As a consumer healthcare company based in Japan, we will continue to take on challenges.

Strengths to be leveraged/enhanced for sustainable growth Strategies/initiatives to address the challenges

The strengths of Daiichi Sankyo Healthcare include: firstly, marketing capabilities as a consumer company to capture changes in society to stay ahead of consumers' needs, and secondly, research and development capabilities as a pharmaceutical company to generate creative and trusted products. Armed with these two advantages, we provide three categories of products, namely OTC drugs, products for skin and oral care, and life improver, via three channels comprising of in-store sales including drug stores, in-house mail order through our group company, Im Co. Ltd., and overseas markets including the Chinese market.

To ensure sustainable growth, we set a revenue target of 100.0 billion yen in the 5-year business plan toward 2025. Specifically, we are promoting the following strategies.

1. Domestic in-store sales:
   Aim to win the top share in our targeted OTC markets (excluding sales of tonic drinks) and enlarge our principal brands in the functional skincare and oral care markets.
2. In-house mail order:
   Expand skincare business and strengthen expansion into the life improver field.
3. Overseas business:
   Accelerate the growth of our China business through enhancement of collaboration for cross-border e-commerce and products lines.

For domestic in-store sales, we will foster following brands into a mega-brand: *Lulu*, cold remedy; *Loxonin S*, analgesic for internal and external use; and *Minon*, a series of body cleaning and skincare products for people with sensitive skin, as well as focusing salses development of drugs for skin. For in-house mail order, we plan to enhance the line-up of functional foods and OTC drugs as well as the line-up of *Rice Force* and *Brightage*, both skincare brands, and Regain, a tonic drug. For overseas business, we will further focus on the China market to build our brand equity and increase awareness of the brand there. In addition, we will make efforts not only to develop products but also to create new services through digital transformation so as to provide customers with more useful information.

The initiative for a sustainable society is one of important challenges in the 5-year business plan. For the initiative, we will implement own measures such as enhancement of environmentally-friendly plastic packages as a consumer company, not to mention that we will involve ourselves in the activities as a member of Daiichi Sankyo. At the same time, as a public organ, we will fulfill roles such as facilitating mutual growth between the company and employees through work, ensuring transparency, and respecting diversity.

Research & Development Unit

Ken Takeshita

Head of Research & Development Unit

Ken Takeshita was engaged in research at the University of Tokyo and other universities after earning a bachelor's degree in molecular biology from Harvard University and his medical degree from Yale University.
He then joined the pharmaceutical industry and led drug development programs including anti-cancer drugs at several global pharmaceutical companies.
He served as Global Head of Development as well as interim Head of Research at Kite Pharma since 2019.
He was appointed as Daiichi Sankyo's Global Head of R&D as of April 2021.

Business environment projection and the unit's vision in 2030

The most important near-term mission of Global R&D unit is to further strengthen the global R&D organization for oncology and maximize the value of the oncology pipeline focusing on 3ADCs. Although the competition in oncology is fierce, there is a large market for oncology drugs in Japan, the U.S., Europe and Asia, and these markets are expected to grow steadily. By launching products that leverage our strengths in ADC technology with promising targets, such as HER2 and TROP2, we will realize our vision of "Global Top 10 in Oncology" by 2030.

Strengths to be leveraged/enhanced for sustainable growth Strategies/initiatives to address the challenges

To become one of the top 10 global companies, we will further refine our global development capabilities in oncology. First, we will systematically build global development footprints in order to efficiently conduct global clinical trials for 3ADCs, centered on *Enhertu*, which has been approved under the accelerated approval pathways in Japan, U.S. and EU. To date, we have achieved the first step in expanding our Europe development footprint. Furthermore, we will expand our development footprint in China and other countries for the global development of *HER3-DXd*. In the future, we will expand our development footprint in major regions around the world in a stepwise manner, anticipating the future pipeline following the 3ADCs, including DXd-ADC family, such as *DS-7300*. With the aim of becoming an unified global organization, we will further enhance our operational efficiency and contribute to the enrichment of quality of life around the world by promptly delivering our innovative pharmaceuticals.

In the oncology area, the standard of care is changing rapidly, and the competition in development is becoming even more intense. We will leverage our strategic partnership with external parties to accomplish global development and deliver our new drugs to patients worldwide. To maximize the value of our 3ADCs, we have been strengthening our internal development capabilities while leveraging our partnerships, including the development platform of our partner AstraZeneca for *Enhertu* and *Dato-DXd*, and our strategic CRO coalition with Syneos. We will continue to strengthen our agile global development organization that can flexibly respond to changes in the environment.

We recognize that R&D in non-oncology is also critical for our sustainable growth. It took us ten years to commercialize oncology drugs based on our DXd-ADC technology. As the mission of our research organization, we are actively investigating various modalities and advanced technologies that focus on areas beyond oncology to identify the next pillar for Daiichi Sankyo's growth following the DXd-ADC family. Toward 2030, we will create new pillars of growth by maximizing advantages of our oncology R&D, such as the DXd-ADC family and next-generation ADCs, while also engaging in R&D activities utilizing next-generation modality technologies, such as oligonucleotide therapeutics and gene therapy. We aim to generate innovative medicine that truly transforms standards of care in the rare disease, CNS and other areas where unmet medical needs are high, utilizing advances in translational science and precision medicine to enhance our ability to succeed.

The central nervous system area is a challenging disease area with high hurdles for drug discovery. However, our multimodality strategy, which is one of the strengths of our research, has a potential to create breakthrough new drugs in this area that can transform patients' lives by pursuing targets deemed unreachable in the past. We have an environment that allows us to pursue unique research activities based on out-of-box thinking and our unique medicinal chemistry capabilities, advanced technology platforms and unique applications of translational science and precision medicine. By maximizing 3ADCs and strengthening our global R&D organization, we strive to build a new pillar that will drive our sustainable growth.

Biologics Unit

Masayuki Yabuta

Head of Biologics Unit

Masayuki Yabuta joined Pharmaceutical Division in Suntory Co., Ltd., in 1985 and has been widely engaged in the production of biologics: developing culture process of biologics, designing a manufacturing plant at the Tatebayashi Plant facility, developing a production method of an enzyme used for HANP production, handling a R&D project with use of overseas Contract Manufacturing Organization (CMO), and so on. He joined the Biologics Technology Research Laboratories in the Pharmaceutical Technology Division of Daiichi Sankyo in 2010. He was appointed as Head of the Biologics Division in 2017 and has held his current position since 2020.

Business environment projection and the unit's vision in 2030

Biopharmaceuticals including antibody drugs have been growing due to their remarkable efficacy. In fact, biopharmaceuticals occupy more than half of the top 10 sales products in the global pharmaceutical market. Accordingly, we expect that antibody drugs including *Enhertu* will continue to lead the pharmaceutical market as an advanced medical treatment. Furthermore, in recent years, more and more innovative therapies are being developed for diseases that had no treatment yet, thanks to the advanced development of new modalities such as nucleic acid drugs, gene therapy, and cell therapy. Daiichi Sankyo also has been focusing on such fields. Over the next 10 years, it is critical for us not only to maximize the 3ADCs but also to develop next generation biopharmaceuticals that follow 3ADCs as new pillars, including DXd-ADCs, antibody related drugs, and new modalities. In addition, the global COVID-19 pandemic has reminded us of the importance of vaccine development. To respond to this, we will also focus on the development of vaccines by using our biotechnology platform. This will allow us to further promote our purpose, "To contribute to the enrichment of quality of life around the world."

Strengths to be leveraged/enhanced for sustainable growth Strategies/initiatives to address the challenges

The manufacture of biopharmaceuticals includes biological process, which produces complex molecules. This means that each phase of development until commercialization requires a high level of biotechnology. As the molecular structure of biopharmaceuticals greatly affects manufacturing efficiency, it is important to consider the productivity as a drug product at the discovery phase. We believe that creating modalities with excellent efficacy, and also conducting technology research on molecular design and manufacturing methods pursuing good productivity and reasonable cost will become more important.

The Biologics Unit intends to accelerate the product development of biopharmaceuticals by developing our own competitive biotechnology, with which, designing candidate biological products together with the Research & Development Unit, and constructing manufacturing methods in collaboration with the Pharmaceutical Technology and Supply Chain Units. Specifically, while further enhancing the already cultivated technology of antibody design, production cell development and mass production, we will support maximization of the 3ADCs and DXd-ADC from technology standpoint, and at the same time, apply the technology to the next generation antibody therapeutics, gene therapy, mRNA vaccines ,cell therapy and so on. We will take responsibility from molecular design through process development of biopharmaceuticals. Going forward, we aim to contribute to Daiichi Sankyo's sustainable growth from a biotechnology standpoint by creating a unique modality that is expected to be the next pillar following DXd-ADC.

In order to realize these goals, development of new technologies and human resources are essential. In doing so, it is especially important to develop technology with a broad perspective from molecule design to commercialization, and an organization structure is needed where the drug design and production design functions collaborate closely. In addition, it is important to increase the depth of biological researchers and technical experts throughout the entire Daiichi Sankyo Group. We strive to be the unit as well as corporation with world-class biotechnology by mutually connecting and collaborating biotech talents from the entire Group including other units and overseas companies through engaging common tasks and developing human resources while advancing our technology throughout the Group.

Pharmaceutical Technology Unit

Hiroto Kashiwase

Head of Pharmaceutical Technology Unit

After joining Sankyo Co., Ltd. in 1989, Hiroto Kashiwase has engaged in research of antiviral agents for twelve years. He earned experience in Corporate strategy and managemen at the headquarters and contributed to the merging into Daiichi Sankyo. After the merger, he was involved in work related to pharmaceutical technology at CMC Planning Department, DAIICHI SANKYO, INC., Luitpold Pharmaceuticals, Inc. (currently, American Regent, Inc.). He assumed the Head of Pharmaceutical Technology Division in June 2019.

Business environment projection and the unit's vision in 2030

Toward 2030, Daiichi Sankyo has an aim of having a solid position in the global oncology market and a new growth pillar of profits. To achieve this, we need to continuously develop products and modalities that are expected to be the next growth pillars following 3ADCs. The Pharmaceutical Technology Unit plays a role to establish pharmaceutical technologies for commercializing new drugs developed by Research & Development. We will strive to establish technologies for various candidate modalities including next generation antibodies following DXd-ADC, gene therapy, cell therapy, LNP*1, and DTx*2. We will make the most of our knowledge and experience to manufacture and supply investigational drugs in at timely manner, as well as developing stable manufacturing processes to achieve high-quality products. These manufacturing and analysis technologies are transferred to supply chain functions including overseas CMOs.

Another important role we play is to design formulations and packaging that are easy for patients and healthcare professionals to use, and develop relevant manufacturing methods. We have been promoting the development of products and technologies by using the information on healthcare professionals' needs collected by our marketing personnel. In particular, such information has helped develop orally disintegrating (OD) tablets and extended-release formulations of oral narcotic drugs with abuse deterrence. In 2030, also on the oncology and DXd-ADC fields, we will be contributing to our purpose, "The enrichment of quality of life," through craftsperson-ship based on the Patient Centric Mindset.

Daiichi Sankyo aims to promote ESG management to ensure sustainable operations and growth. From this perspective, pharmaceutical technology unit especially focuses on environmental matters and strives to promote technological approaches such as improvement of manufacturing processes and analytical methods, selection of materials, to reduce waste and energy.

*1: Lipid Nano Particle, *2: Digital Therapeutics

Strengths to be leveraged/enhanced for sustainable growth Strategies/initiatives to address the challenges

Pharmaceutical Technology Unit is required to respond to all of the modalities identified by the Research & Development Unit promptly and flexibly, as we are in charge of the development of manufacturing and evaluation methods for all of the items developed by the company. To achieve this, it is essential to make the most of our experience and intangible assets accumulated through the development of small molecules and ADCs in addition to obtaining new technologies and knowledge. The use of IT tools is a key to success. We will improve business efficiency by using IT tools with the aim of establishing a system where complex business operations can be performed promptly and stably. With IT tools, we will promote research with simulation and modeling, adjust manufacturing and supply of investigational drugs based on accurate and real-time demand information, accumulate and use the regulatory knowledge on various modalities and countries, and strengthening communications globally and locally. In addition to efficiency improvement, we will promote automation with robotics which will enable accumulation of a large volume of data, and use it for new research so that we can sophisticate and deepen new modalities by using our strengths: "Capabilities for deep understanding of the manufacturing processes" and "Capabilities for developing manufacturing process that can control drug quality."

Supply Chain Unit

Junichi Fukute

Head of Supply Chain Unit

Joined the Company in 1981. Engaged in manufacturing of API (Active Pharmaceutical Ingredient) for 20 years at Odawara Plant and Onahama Plant. Took charge of the project to establish a plant for Loxonin API while working at Odawara Plant. Vice President, Supply Chain Strategy Department in 2005, Vice President, Procurement Department in 2007, Vice President, Supply Chain Technology Department in 2011, Vice President, Corporate Business Management Department in 2012, and Vice President, Supply Chain Planning Department in 2014. Corporate Officer in 2016, He assumed the Head of Supply Chain Division since April 2019.

Business environment projection and the unit's vision in 2030

In response to an increase in demand for 3ADCs, including *Enhertu* and the steady progress of the clinical studies of subsequent DXd-ADCs family, Supply Chain Unit will continue to pursue maximization of our supply capacity and stable supply of ADC products. At the same time, Supply Chain Unit will successfully establish a production and supply system in accordance with the identification and selection of the promising modalities that will become post-DXd-ADC growth drivers of Daiichi Sankyo.

However, in the process of innovation focused on ADC products and post DXd-ADC modalities, we remain consistent with QCD (Q: Quality, C: Cost, D: Delivery) as our base. In addition to QCD, we will position Resilience as an important factor and improve it to address COVID-19 and prepare for future pandemic of new infectious diseases and an increase of risk of large-scale natural disasters (large earthquakes, typhoons, torrential rains).

Moreover, Supply Chain Unit will aim to achieve a decarbonized society, a circular economy and a society co-existing with nature to address social and environmental issues under the current 5-year business plan and contribute to the realization of a sustainable society by committing to various initiatives for logistics, packaging and facilities such as promotion of use of solar power systems, energy saving and energy generation, biomass plastics.

Strengths to be leveraged/enhanced for sustainable growth Strategies/initiatives to address the challenges

For maximization of our supply capacity and stable supply of ADC products, Supply Chain Unit have consistently advanced streamlining of the production system to achieve a seamless system from production of investigational drugs to commercial production in order to ensure a stable supply of high quality products. We will continue to actively invest in production bases all over the world and to promote enhancement of our production capacity and securement of production lines of CMOs to establish a robust global production and supply structure.

Then, for establishment of a production and supply system for the post DXd-ADC modalities, Supply Chain Unit will advance development of a self-manufacturing policy and production system establishment scheme based on individual products' characteristics.

In order to maintain and reinforce our strength, represented by "a global manufacturing and supply system enabling launch and stable supply of products suitable for the market in each country," we are advancing transformation by investing our human resources and facilities in manufacturing biopharmaceuticals. In addition, we will promote to increase the mobility of human resources on a global level while advancing development and acquisition of professional talent.

For contribution to the principle of QCD and improvement of Resilience, Supply Chain Unit are emphasizing a mid-to-long term perspective taking global balance into consideration for the purpose of generating profit as well as working on the sophistication of our global supply chain management system that accurately forecasts demand that changes from day to day depending on the progress of development or sales. Particularly, for supply of DXd-ADCs, we have pursued diversification of risks by evaluating production bases based on the two levels – in Japan and overseas and within Daiichi Sankyo and CMOs. We will further reinforce the system "capable of providing a long-term stable supply of high-quality pharmaceutical products around the world in the event of an emergency such as a natural disaster." In addition, in order to achieve Data driven management through DX, we will steadily promote various measures (efficient, quality improved and predictive maintenance of ADC manufacturing) to achieve the smart factory that actively utilizes advanced digital technologies. Through these, we will improve Resilience.

Quality Assurance & Regulatory Affairs Unit

Miyuki Arai

Head of Quality Assurance & Regulatory Affairs Unit

After joining Daiichi Sankyo in 1985, Miyuki Arai was engaged in efficacy and pharmacological research of cancer immuno-therapeutic agents for eight years at a research laboratory. Since 1993, she has been working for more than 20 years in regulatory affairs, including management of marketing authorization holders, development and post-approval regulatory affairs, safety and package insert matters and legality review of advertisement, etc. She was appointed as the Head of Pharmacovigilance Department in 2015, the Head of Safety and Risk Management Department in 2017, and the current position in April 2019.

Business environment projection and the unit's vision in 2030

Quality assurance of product reliability and regulatory compliance are essential for the realization of the global top 10 in the oncology area and total healthcare services that provide optimal modalities to patients. In addition, given the prospects of environmental changes such as the aging society and entry into the healthcare business from other industries, it will be necessary to provide diversifying healthcare and therapeutic solutions to respond to various medical needs. We, QARA unit, aim to be an organization which contributes to business throughout the product lifecycle by securing reliability in an agile manner by the most efficient process, and by planning/executing seamless regulatory strategies with the relevant departments.

We also strongly desire to be an organization that leads a Quality First culture, in which every single employee recognizes the responsibility for quality, the executives proactively promote quality improvement activities through quality management review, and the entire company provides a stable supply of top-quality pharmaceutical products and highest quality medical information.

Strengths to be leveraged/enhanced for sustainable growth Strategies/initiatives to address the challenges

Until now, new products have been expanded to other regions after approved in Japan, the U.S. and Europe, and DS head office has taken the initiative in quality assurance for products and maintenance of approval in cooperation with DS group companies. Going forward, we need to handle more reliably, efficiently, and speedily so as to correspond to the acceleration of global expansion and numerous changes application plans toward maximizing the 3ADCs.

As for the quality assurance system, we will establish a globally unified quality management system for R&D, medical affairs, and pharmacovigilance areas, strategically manage quality issues and implement the PDCA cycle to ensure the reliability of medical information on a global basis. In the GMP area, the management of increasing overseas CMOs will be shared among three regions, Japan, the U.S. and Europe, and promote early detection and resolution of quality events/issues and technology transfer. As the same time, we will strengthen quality governance by comprehensively managing and horizontally deploying such information by DS head office. Furthermore, we will contribute to the stable supply of top-quality pharmaceutical products by introducing a global electronic system that enables real-time identification of process bottlenecks and continuous improvements, and expanding this system to include group companies in the future and making it a more robust quality management system.

As measures to enhance the regulatory affairs, we will visualize the regulatory status of products in each region, establish a process for collection and impact analysis of frequently updated regulatory information. In addition, for the purpose of efficient, effective and comprehensive plan and implementation of the regulatory submission strategy while taking into consideration each country's regulatory requirements, we will not only collaborate with the change management office, but also prepare to establish a seamless collaboration system that breaks down barriers between 3 regulatory affairs departments from development to post-marketing.

In providing optimal modalities to patients, we need to challenge in inexperienced areas, and find out how to leverage our knowledge. We will strive to develop and acquire specialists of our products and establish systems for quality assurance and regulatory affairs.

Clinical Safety & Pharmacovigilance Unit

Kento Wada

Head of Clinical Safety & Pharmacovigilance Unit

Kento Wada entered Suntory Limited in 1991 and was responsible for work including new drug development, project management in Japan and the U.S., the launch of subsidiaries in the U.S., and business planning. After transferring to Daiichi Sankyo in 2010, he was engaged in global safety management. In 2015, he planned and promoted the establishment of the Medical Affairs Division in Japan. He assumed the Head of Clinical Safety & Pharmacovigilance Division in April 2020 after serving as Vice President, Pharmacovigilance Department and Vice President, Post Marketing Study Department.

Business environment projection and the unit's vision in 2030

A good drug must have a high-level quality combined with provision of appropriate information. Any drug carries a risk of adverse events, no matter how effective it is. Daiichi Sankyo strives to minimize patient safety risks by promoting appropriate usage of drugs. For this, we always objectively analyze safety information collected around the world and provide healthcare professionals with necessary information including that on prevention, suppression of aggravation, and measures for adverse events in a timely manner.

Toward 2030, we strive to provide patients with new modality products, which is our new business pillar, while working on the global expansion of oncology drugs including 3ADCs. This will enrich safety information, and at the same time, global risk management will become more diverse and complex. In addition, the speed of development, application, approval will be accelerated, and therefore, timely risk management in development will become more important. Similarly, increasing early approvals will raise the importance of risk management for post-marketing. As well as the above, it is important to maintain and manage safety also for non-oncology products including existing launched products. We need to have more sophisticated and efficient business operations as each country is tightening the required level of safety management.

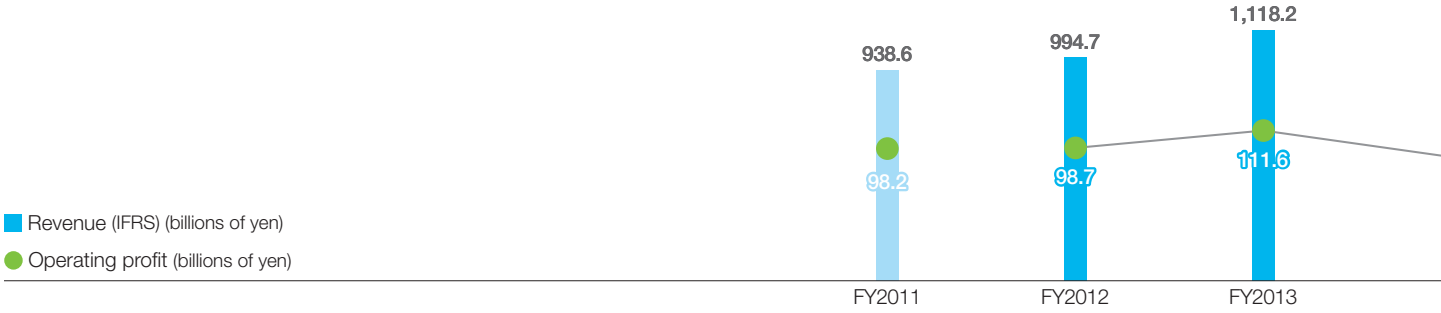
The 2030 Vision of the Clinical Safety & Pharmacovigilance Unit is "Be a Global unit which contributes to ensuring patient safety by providing a high quality safety information in a timely manner for all products including expanding oncology products and new modality from development to post-marketing." We will strive to conduct proactive safety monitoring and risk management to ensure patient safety throughout the life cycle from development to post-marketing.

Strengths to be leveraged/enhanced for sustainable growth Strategies/initiatives to address the challenges

We will implement four major strategies to achieve the 2030 Vision. First, we will endeavor to conduct a high level of safety management while responding to diverse and complex risk management. For this, we will identify the best analysis methods and tools and strengthen the function for safety analysis that helps us quickly perform proactive risk analysis and take safety measures in a timely manner. We will also use epidemiological methods to implement advanced safety measures. In particular, we will use data from actual clinical data to understand drug utilization in the real world and check the effectiveness of safety measures. Second, to respond to growing safety information, we will integrate the global process and management of case evaluation so as to increase operational efficiency. Third, we will strengthen the unit's global governance to make global decisions faster on various matters, as well as enhance collaboration with related departments in the development and post-marketing phases. This will help us establish a system with which we can understand challenges and timely and appropriate decision making from both global and local perspectives. Finally, to secure global human resources who can flexibly respond to changes and will be responsible for the next generation, we will facilitate personnel exchanges while enhancing internal human development and promoting personnel acquisition outside the company.

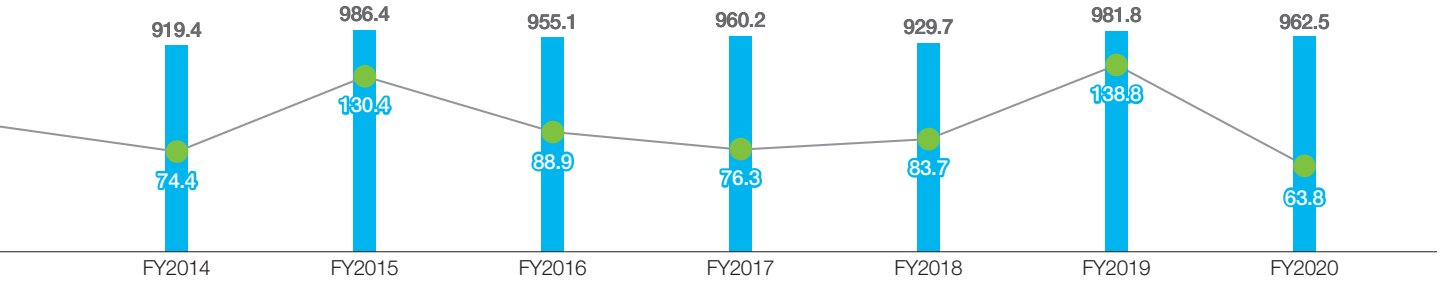
We will strive to contribute to ensuring patient safety by achieving these four strategies and providing a high quality safety information in a timely manner.

10-Year Financial Summary



Item	Japanese GAAP	IFRS	
	FY2011	FY2012	FY2013
Financial Results			
Revenue	938.6	994.7	1,118.2
Overseas revenue	469.0	483.2	584.5
Ratio of overseas revenue to revenue (%)	50.0	48.6	52.3
Operating profit	98.2	98.7	111.6
Ratio of operating profit to revenue (%)	10.5	9.9	10.0
Profit attributable to owners of the Company	10.3	64.0	60.9
Research and development expenses	185.0	184.4	191.2
Ratio of research and development expenses to revenue (%)	19.7	18.5	17.1
Depreciation and amortization	46.3	45.3	51.5
Capital expenditure	62.9	65.1	49.2
Financial Position			
Total assets	1,518.4	1,684.9	1,854.0
Total equity	832.7	938.5	1,007.5
Cash Flows			
Net increase (decrease) in cash and cash equivalents	(89.7)	(37.8)	(23.7)
Free cash flows*1	(32.5)	20.4	(124.1)
Per Share Information			
Basic earnings per share (yen)*2	4.92	30.32	28.86
Equity per share attributable to owners of the Company (yen)*2	381.17	429.31	464.01
Annual dividends per share (yen)*3	60	60	60
Main Financial Indicators			
Return on equity attributable to owners of the Company (ROE) (%)	1.3	7.4	6.5
Ratio of equity attributable to owners of the Company to total assets (%)	53.0	53.8	52.9
Ratio of dividends to equity attributable to owners of the Company (DOE) (%)	5.1	4.9	4.5
Price-earnings ratio (PER)	102.2	20.0	20.1
Stock price at the end of the year (yen)	1,508	1,815	1,738
Market capitalization*4	1,061.5	1,277.7	1,223.5
Average exchange rates (USD/JPY)	79.07	83.11	100.24
(EUR/JPY)	108.96	107.15	134.38
Number of Employees	31,929	32,229	32,791
Japan	9,308	9,251	9,145
North America	3,737	3,331	3,402
Europe	2,624	2,556	2,226
Others	16,260	17,091	18,018

*1 Cash flows from operating activities + Cash flows from investing activities
*2 Effective October 1, 2020, Daiichi Sankyo implemented a three-for-one share split of its ordinary shares. “Basic earnings per share” and “Equity per share attributable to owners of the Company” are calculated on the assumption that the share split had been implemented the beginning of FY2011.



(Billions of yen)

FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020
919.4	986.4	955.1	960.2	929.7	981.8	962.5
392.4	430.7	375.2	341.9	333.8	374.1	401.8
42.7	43.7	39.3	35.6	35.9	38.1	41.7
74.4	130.4	88.9	76.3	83.7	138.8	63.8
8.1	13.2	9.3	7.9	9.0	14.1	6.6
322.1	82.3	53.5	60.3	93.4	129.1	76.0
190.7	208.7	214.3	236.0	203.7	197.5	227.4
20.7	21.2	22.4	24.6	21.9	20.1	23.6
42.0	44.3	47.4	46.7	46.2	52.6	57.4
36.3	23.3	23.9	26.9	38.3	29.0	40.1
1,982.3	1,900.5	1,915.0	1,897.8	2,088.1	2,105.6	2,085.2
1,307.0	1,233.5	1,171.4	1,133.0	1,249.7	1,306.3	1,272.1
(10.7)	45.4	24.4	115.2	(116.7)	186.6	(49.5)
121.5	168.3	39.4	217.0	(50.5)	278.3	153.0
152.52	39.79	26.54	30.44	48.07	66.40	39.17
617.43	600.63	591.00	583.11	642.93	671.64	663.85
60	70	70	70	70	70	27
28.2	6.5	4.4	5.2	7.8	10.1	5.9
65.8	64.8	61.4	59.7	59.8	62.0	61.0
3.7	3.8	3.9	4.0	3.8	3.5	4.0
4.2	21.0	31.5	38.6	35.4	37.3	82.3
1,907	2,502	2,507	3,526	5,100	7,434	3,225
1,342.6	1,710.2	1,662.7	2,283.7	3,304.2	4,817.7	6,179.6
109.94	120.14	108.42	110.86	110.91	108.75	106.06
138.78	132.57	118.84	129.70	128.40	120.83	123.7
16,428	15,249	14,670	14,446	14,887	15,348	16,033
8,543	8,589	8,648	8,765	8,865	8,754	8,979
3,322	2,321	2,464	2,191	2,172	2,380	2,602
2,094	1,997	1,578	1,582	1,778	1,953	2,137
2,469	2,342	1,980	1,908	2,072	2,261	2,315

*3 "Annual dividends per share" of 27 yen (interim dividend of 13.5 yen and year-end dividend of 13.5 yen) is stated on the assumption that the share split had been implemented at the beginning of the FY2020.
*4 Market capitalization is calculated excluding treasury stocks.

Financial Results and Financial Analysis

Consolidated Financial Results for FY2020

Consolidated Financial Results

(Billions of yen)

	FY2019 Results	FY2020 Results	YoY	
Revenue	981.8	962.5	–19.3	(–2.0%)
Cost of sales	343.2	338.3	–4.9	
SG&A expenses	302.3	333.1	30.8	
Research and development expenses	197.5	227.4	29.9	
Operating profit	138.8	63.8	–75.0	(–54.0%)
Profit before tax	141.2	74.1	–67.0	(–47.5%)
Profit attributable to owners of the Company	129.1	76.0	–53.1	(–41.2%)

Yen exchange rates for major currencies (Annual average rate)

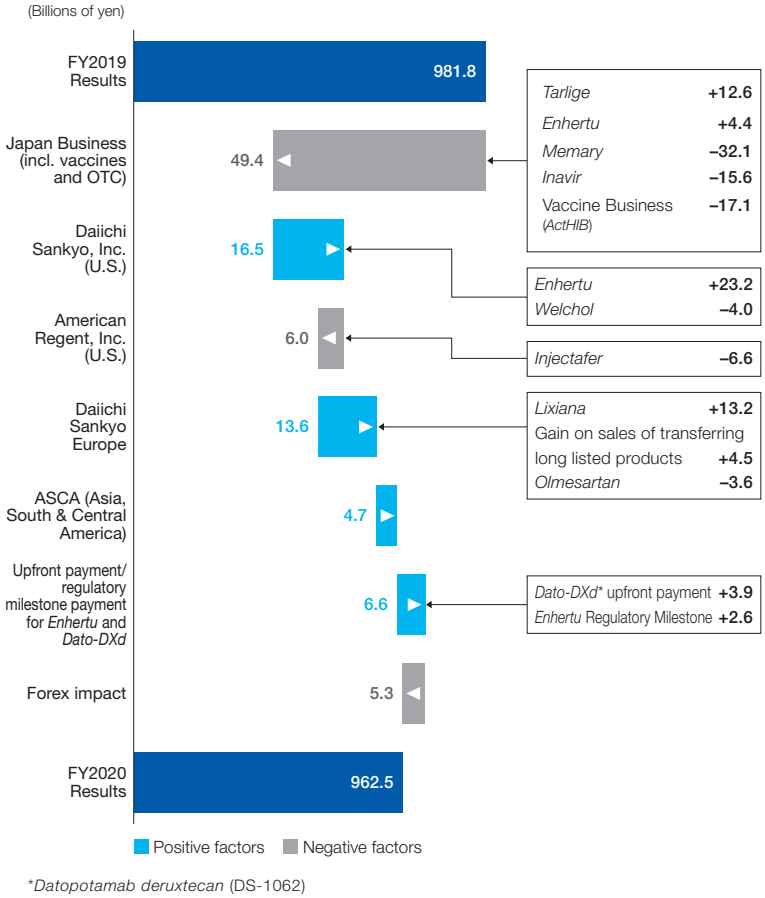
	FY2019 Results	FY2020 Results	YoY
USD/JPY	108.75	106.06	–2.69
EUR/JPY	120.83	123.70	+2.87

1. Revenue

Consolidated revenue in FY2020 decreased by ¥19.3 billion, or 2.0% year on year, to ¥962.5 billion.
The foreign exchange impact placed downward pressure on revenue to the extent of ¥5.3 billion. When the impact is excluded, the decrease in revenue was ¥14.0 billion.

Revenue

Decreased by ¥19.3 billion (Decreased by ¥14.0 billion excl. forex impact)



Datopotamab deruxtecan (DS-1062)

In the Japan Business, products including *Tarlige* experienced an increase in revenue, but overall revenue decreased by ¥49.4 billion due to such factors as a decrease in *Memary* sales resulting from generic drugs entering the market, termination of vaccine business aliance, and a decrease in *Inavir* sales resulting from the reduced spread of seasonal influenza.

In the United States, revenue from Daiichi Sankyo, Inc. increased by ¥16.5 billion year on year due to the contribution of *Enhertu*, which was launched in January 2020.

American Regent Inc. saw a revenue decrease of ¥6.0 billion year on year following a decrease in revenue from *Injectafer* under the influence of the spread of COVID-19.

Revenue at Daiichi Sankyo Europe GmbH increased by ¥13.6 billion year on year due to an increase in *Lixiana* sales, despite a decrease in sales from *olmesartan*.

As for ASCA (Asia and South & Central America) business, the revenue increased by ¥4.7 billion year on year due to an increase in *edoxaban* sales.

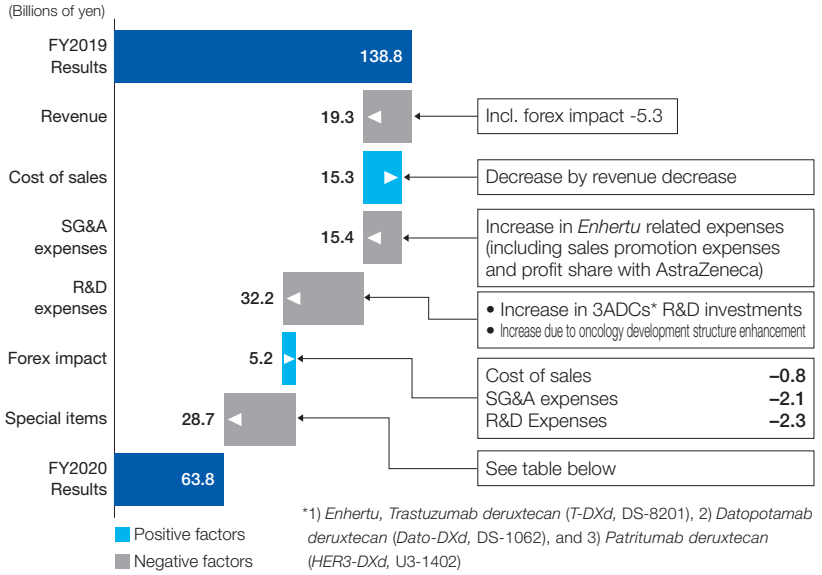
For this fiscal year, ¥6.6 billion of revenue was recognized from the revenue of upfront payment for *Dato-DXd* (DS-1062; *Datopotamab deruxtecan*) and the revenue of regulatory milestone payment associated with *Enhertu*'s approval for indication of second-line treatment of gastric cancer in the United States and indication of third-line treatment of breast cancer in Europe. For *Dato-DXd*, Daiichi Sankyo concluded an agreement with AstraZeneca in July 2020.

2. Operating profit

Operating profit in FY2020 decreased by ¥75.0 billion, or 54.0% year on year, to ¥63.8 billion.
The actual decrease in operating profit excluding the foreign exchange impact and special items (Items having a transitory and material impact on operating profit) was ¥46.3 billion.

Operating profit

Decreased by ¥75.0 billion (Decreased by ¥46.3 billion excl. forex impact and special items)



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

Consolidated revenue in FY2020 decreased ¥19.3 billion, including impact from foreign exchange to the extent of ¥5.3 billion.

Cost of sales was down ¥15.3 billion due to a decrease by revenue decrease.

SG&A expenses increased by ¥15.4 billion year on year, owing to an increase in *Enhertu* related expenses (including sales promotion expenses and profit share with AstraZeneca), despite of the impact of decrease in expenses according to the spread of COVID-19. R&D expenses increased by ¥32.2 billion year on year due to an increase in 3ADCs* R&D investments.

Expenses decreased by ¥5.2 billion due to the foreign exchange impact.

Special items caused an increase of ¥28.7 billion in expenses. Special items in FY2019 included gain on sales of subsidiary associated with Takatsuki plant transfer, resulting in a total decrease of ¥13.7 billion in expenses. However, special items in FY2020 included loss compensation associated with the termination of alliance for vaccine business, resulting in an increase of ¥15.0 billion in expenses.

Special items

(Billions of yen)

	FY2019 Results		FY2020 Results		YoY
Cost of sales	Restructuring costs in supply chain	1.3		—	11.2
	Impairment loss (intangible assets)*1	6.3			
	Gain on sales of subsidiary*2	–18.8			
SG&A expenses	Gain on sales of fixed assets*3	–10.6	Vaccine business loss compensation	15.0	17.4
	Environmental expenditures*4	8.2			
Total		–13.7		15.0	28.7

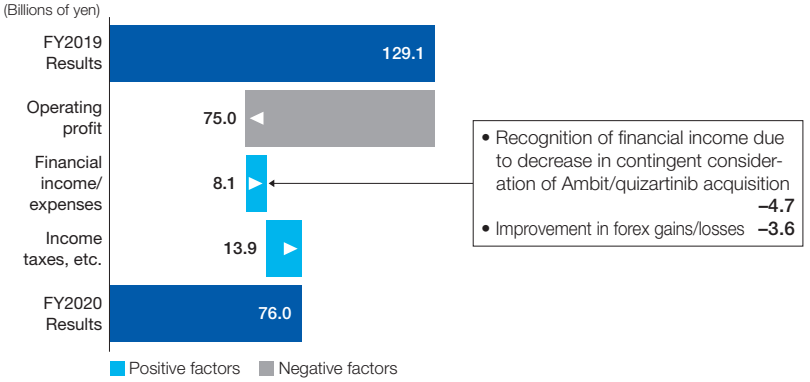
*1 *Morphabond, Roxybond, Zelboraf* *2 Takatsuki Plant *3 Nihonbashi Building *4 Former Yasugawa Plant

3. Profit attributable to owners of the Company

Profit attributable to owners of the Company decreased ¥53.1 billion, or 41.2% year on year, to ¥76.0 billion.

Profit attributable to owners of the Company

Decreased by ¥53.1 billion



Operating profit decreased by ¥75.0 billion including the foreign exchange impact and special items.

Income taxes, etc. decreased ¥13.9 billion year on year. Income tax rate was 8.6% in FY2019, resulting from decision of introduction of consolidated taxation system, whereas in FY2020, income taxes etc. were negative because the future taxable income amount increased and recognized additional deferred tax assets in conjunction with enhanced product value of 3ADCs.

Income taxes, etc.

(Billions of yen)

	FY2019 Results	FY2020 Results	YoY
Profit before tax	141.2	74.1	–67.0
Income taxes, etc.	12.2	–1.7	–13.9
Tax rate	8.6%	–2.3%	—

Financial Position

1. Assets, Liabilities, and Equity

ASSETS

Total assets at the end of FY2020 amounted to ¥2,085.2 billion. Cash and cash equivalents as well as trade and other receivables decreased, whereas inventories and other financial assets (non-current assets) increased. These, among other factors, resulted in a decrease of ¥20.4 billion compared to the end of the previous fiscal year.

Liabilities

Total liabilities at the end of FY2020 amounted to ¥813.1 billion. Trade and other payables as well as other non-current liabilities increased, whereas bonds and borrowings decreased. These, among other factors, resulted in an increase of ¥13.8 billion in total liabilities compared to the end of the previous fiscal year.

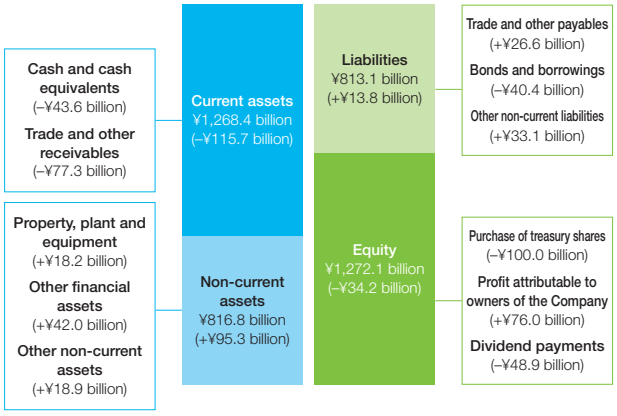
Equity

Total equity at the end of FY2020 amounted to ¥1,272.1 billion. Profit attributable to owners of the Company recorded for the year contributed to an increase, whereas dividend payments and purchase of treasury shares (29.47 million shares at a cost of ¥100.0 billion) among other factors ultimately led to a decrease of ¥34.2 billion compared to the end of the previous fiscal year.

Summary of consolidated statement of financial position

As of March 31, 2021: parentheses ( ) indicate comparison to March 31, 2020

Consolidated total assets ¥2,085.2 billion (–¥20.4 billion)



2. Cash Flows

Cash and cash equivalents at the end of FY2020 decreased by ¥43.6 billion year on year to ¥380.5 billion.

Cash flows from operating activities

Cash inflows from operating activities were ¥192.2 billion (¥196.6 billion in the previous fiscal year) due to a profit before tax amounting to ¥74.1 billion, depreciation and amortization amounting to ¥57.4 billion, and other non-cash items, as well as upfront payment and regulatory milestone payment for the *Enhertu* strategic collaboration and upfront payment for the *Dato-DXd* strategic collaboration among other contributing factors.

Cash flows from investing activities

Cash outflows from investing activities were ¥39.2 billion (¥81.7 billion inflow in the previous fiscal year) due to factors including capital expenditure and acquisitions of intangible assets, despite payments into time deposits among other factors.

Cash flows from financing activities

Cash outflows from financing activities were ¥202.4 billion (¥91.6 billion outflow in the previous fiscal year) due to purchase of treasury shares, dividend payments, repayments of bonds and borrowings, and other factors.

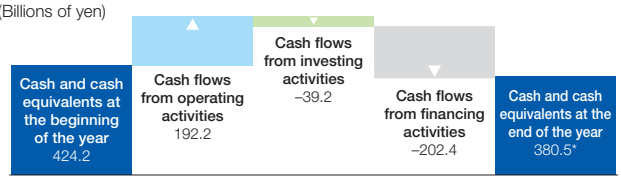
(Billions of yen)

	FY2019 Results	FY2020 Results	YoY
Cash flows from operating activities	196.6	192.2	–4.4
Cash flows from investing activities	81.7	–39.2	–120.9
Cash flows from financing activities	–91.6	–202.4	–110.8
Net increase in cash and cash equivalents	186.6	–49.5	–236.1
Effect of exchange rate change on cash and cash equivalents	–5.6	5.8	11.4
Cash and cash equivalents at the end of the year	424.2	380.5	–43.6
Free cash flows*	278.3	153.0	–125.3

*Free cash flows = Cash flows from operating activities + Cash flows from investing activities

Summary of consolidated statement of cash flows

(Billions of yen)



(As of April 1, 2020) (As of March 31, 2021)

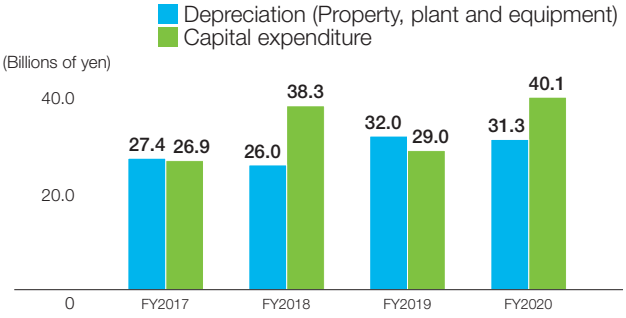
*incl. effect of exchange rate (¥5.8 billion)

3. Capital Expenditure

We continuously invest in plants and equipment, aiming to enhance and streamline production facilities as well as strengthen and facilitate research and development. The investment amount for FY2020 was ¥40.1 billion.

(Billions of yen)

	FY2019 Results	FY2020 Results	YoY
Capital expenditure	29.0	40.1	11.2
Depreciation (Property, plant and equipment)	32.0	31.3	–0.8



Forecast for FY2021

The revenue is expected to increase by 2.9% year on year to ¥990.0 billion due to an increase in revenue for our mainstay products such as *Enhertu, Lixiana* and *Tarlige* although there are factors for decrease in revenue such as the NHI drug price revision in Japan and the termination of the sales collaboration for *Nexium*.

Core operating profit is expected to decrease by 11.2% to ¥70.0 billion year on year due to an expected increase in expenses resulting from the continued intensive investment in the oncology business, including the increase of profit share payments to AstraZeneca due to increased sales of *Enhertu* and the expansion of 3ADC development plan, etc.

Operating profit is expected to increase by 9.7% to ¥70.0 billion year on year due to posting loss compensation of ¥15.0 billion for the vaccine business to Sanofi in the previous fiscal year and no plan to make a temporary gains/losses in FY2021.

Profit attributable to owners of the Company are expected to be ¥50.0 billion, which is 34.2% decrease year on year due to the fact that the normal level is assumed for FY2021 while additional deferred tax assets increased and negative income taxes were negative through increasing future taxable income amount in FY2021.

Forecast of consolidated financial results for FY2021

(Billions of yen)

	FY2020 Results	FY2021 Forecast	YoY	
Revenue	962.5	990.0	27.5	(+2.9%)
Core operating profit*	78.9	70.0	–8.9	(–11.2%)
Operating profit	63.8	70.0	6.2	(+9.7%)
Profit before tax	74.1	70.0	–4.1	(–5.6%)
Profit attributable to owners of the Company	76.0	50.0	26.0	(–34.2%)

Yen exchange rates for major currencies (Annual average rate)

	FY2020 Results	FY2021 Forecast
USD/JPY	106.06	105.00
EUR/JPY	123.70	120.00

*From FY2021, the Group will disclose core operating income, which excludes temporary gains/losses from operating income, as an indicator of ordinary profitability. Temporary gains/losses include gains/losses on sales of fixed assets, gains/losses associated with business restructuring (excluding gains/losses on sales of developed and launched products), impairment loss on property, plant and equipment, intangible assets and goodwill, compensation for damages or settlement, and other non-temporary and material gains/losses.

Shareholder Returns

In order to achieve sustainable growth in corporate value, the basic policy of management is to decide profit distributions based on a comprehensive evaluation of the investments essential for implementing the growth strategy and profit returns to shareholders.

Based on the policy introduced in the previous 5-year business plan (FY2016-FY2020) to pay a total return ratio*1 of 100% or more through distributing stable ordinary dividend of ¥70 or more yearly as well as exercising the agile purchase of treasury shares, the annual dividend for FY2020, on a pre-split*2 basis, increased by ¥11.0 from the previous fiscal year, to ¥81.0 per share.

Furthermore, to increase shareholder returns and enhance capital efficiency, we purchased 29.47 million treasury shares for the cost of ¥100.0 billion from November 2020 to March 2021.

As a result, the total return ratio was 200.3% for FY2020 and 105.6% cumulatively over five years.

For FY2021, based on the shareholder return policy*3 of the current 5-year business plan (FY2021-FY2025), we intend to pay an annual dividend of ¥27 (on a post-split*2 basis) per share.

Total return ratio during the period of the previous 5-year business plan (FY2016-FY2020)

	FY2016 Results	FY2017 Results	FY2018 Results	FY2019 Results	FY2020 Results
Dividend per share (pre-split*2 basis)	¥70	¥70	¥70	¥70	¥81
Purchase of treasury shares	¥50.0 billion	¥50.0 billion	—	—	¥100.0 billion
Total return ratio*1	180.7%	159.1%	48.5%	35.1%	200.3%
			105.6%		

*1 (Total dividends + Total acquisition costs of own shares) / Profit attributable to owners of the Company

*2 We implemented a three-for-one split of our common stock effective on October 1, 2020.

*3 For the shareholder return policy of the current 5-year business plan (FY2021-FY2025), please refer to “Message from the CFO” on page 37.

Consolidated Financial Statements

Consolidated Statement of Profit or Loss

(Millions of yen)

	FY2019 (For the year ended March 31, 2020)	FY2020 (For the year ended March 31, 2021)
Revenue	981,793	962,516
Cost of sales	343,206	338,289
Gross profit	638,586	624,227
Selling, general and administrative expenses	302,320	333,079
Research and development expenses	197,465	227,353
Operating profit	138,800	63,795
Financial income	9,849	12,916
Financial expenses	7,813	2,755
Share of profit (loss) of investments accounted for using the equity method	327	168
Profit before tax	141,164	74,124
Income taxes	12,196	(1,705)
Profit for the year	128,967	75,830
Profit attributable to:		
Owners of the Company	129,074	75,958
Non-controlling interests	(107)	(127)
Profit for the year	128,967	75,830
Earnings per share		
Basic earnings per share (yen)	66.40	39.17
Diluted earnings per share (yen)	66.27	39.11

Consolidated Statement of Comprehensive Income

(Millions of yen)

	FY2019 (For the year ended March 31, 2020)	FY2020 (For the year ended March 31, 2021)
Profit for the year	128,967	75,830
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	(7,682)	12,499
Remeasurements of defined benefit plans	(4,272)	7,847
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign operations	(15,409)	18,805
Other comprehensive income (loss) for the year	(27,364)	39,151
Total comprehensive income for the year	101,602	114,982
Total comprehensive income attributable to:		
Owners of the Company	101,710	115,110
Non-controlling interests	(107)	(127)
Total comprehensive income for the year	101,602	114,982

Consolidated Statement of Financial Position

(Millions of yen)

	FY2019 (As of March 31, 2020)	FY2020 (As of March 31, 2021)
ASSETS		
Current assets		
Cash and cash equivalents	424,184	380,547
Trade and other receivables	309,363	232,036
Other financial assets	466,528	444,368
Inventories	173,362	200,860
Other current assets	10,546	10,607
Subtotal	1,383,984	1,268,420
Assets held for sale	134	—
Total current assets	1,384,119	1,268,420
Non-current assets		
Property, plant and equipment	247,053	265,281
Goodwill	76,760	77,706
Intangible assets	172,499	172,822
Investments accounted for using the equity method	383	1,440
Other financial assets	97,974	139,991
Deferred tax assets	114,748	128,525
Other non-current assets	12,079	30,990
Total non-current assets	721,499	816,757
Total assets	2,105,619	2,085,178

(Millions of yen)

	FY2019 (As of March 31, 2020)	FY2020 (As of March 31, 2021)
LIABILITIES AND EQUITY		
Current liabilities		
Trade and other payables	270,867	297,499
Bonds and borrowings	40,389	20,391
Other financial liabilities	9,490	9,359
Income taxes payable	9,937	6,096
Provisions	5,367	6,051
Other current liabilities	15,019	14,173
Total current liabilities	351,071	353,571
Non-current liabilities		
Bonds and borrowings	183,811	163,441
Other financial liabilities	37,118	36,983
Post-employment benefit liabilities	5,263	3,929
Provisions	10,597	8,741
Deferred tax liabilities	15,641	17,516
Other non-current liabilities	195,840	228,941
Total non-current liabilities	448,273	459,553
Total liabilities	799,344	813,125
Equity		
Equity attributable to owners of the Company		
Share capital	50,000	50,000
Capital surplus	94,633	94,494
Treasury shares	(162,519)	(261,252)
Other components of equity	82,094	111,479
Retained earnings	1,241,600	1,277,332
Total equity attributable to owners of the Company	1,305,809	1,272,053
Non-controlling interests		
Non-controlling interests	464	—
Total equity	1,306,274	1,272,053
Total liabilities and equity	2,105,619	2,085,178

Consolidated Statement of Changes in Equity

(Millions of yen)

	Equity attributable to owners of the Company					
				Other components of equity		
	Share capital	Capital surplus	Treasury shares	Subscription rights to shares	Exchange differences on translation of foreign operations	Financial assets measured at fair value through other comprehensive income
Balance as of April 1, 2019	50,000	94,633	(162,964)	1,805	66,628	46,732
Changes in accounting policies	—	—	—	—	—	—
Adjusted balance as of April 1, 2019	50,000	94,633	(162,964)	1,805	66,628	46,732
Profit for the year	—	—	—	—	—	—
Other comprehensive income (loss) for the year	—	—	—	—	(15,409)	(7,682)
Total comprehensive income (loss) for the year	—	—	—	—	(15,409)	(7,682)
Purchase of treasury shares	—	—	(85)	—	—	—
Cancellation of treasury shares	—	—	530	(194)	—	—
Dividends	—	—	—	—	—	—
Changes associated with obtaining control of subsidiaries	—	—	—	—	—	—
Changes associated with losing control of subsidiaries	—	—	—	—	—	—
Transfer from other components of equity to retained earnings	—	—	—	—	—	(9,785)
Total transactions with owners of the Company	—	—	445	(194)	—	(9,785)
Balance as of March 31, 2020	50,000	94,633	(162,519)	1,611	51,218	29,264
Profit for the year	—	—	—	—	—	—
Other comprehensive income (loss) for the year	—	—	—	—	18,805	12,499
Total comprehensive income (loss) for the year	—	—	—	—	18,805	12,499
Purchase of treasury shares	—	(138)	(100,054)	—	—	—
Cancellation of treasury shares	—	—	1,320	(572)	—	—
Dividends	—	—	—	—	—	—
Changes associated with losing control of subsidiaries	—	—	—	—	—	—
Transfer from other components of equity to retained earnings	—	—	—	—	—	(1,347)
Total transactions with owners of the Company	—	(138)	(98,733)	(572)	—	(1,347)
Balance as of March 31, 2021	50,000	94,494	(261,252)	1,038	70,024	40,416

(Millions of yen)

	Equity attributable to owners of the Company					
	Other components of equity					
	Remeasurements of defined benefit plans	Total for other components of equity	Retained earnings	Total equity attributable to owners of the Company	Non-controlling interests	Total equity
Balance as of April 1, 2019	—	115,166	1,152,806	1,249,642	62	1,249,705
Changes in accounting policies	—	—	(375)	(375)	—	(375)
Adjusted balance as of April 1, 2019	—	115,166	1,152,431	1,249,267	62	1,249,329
Profit for the year	—	—	129,074	129,074	(107)	128,967
Other comprehensive income (loss) for the year	(4,272)	(27,364)	—	(27,364)	—	(27,364)
Total comprehensive income (loss) for the year	(4,272)	(27,364)	129,074	101,710	(107)	101,602
Purchase of treasury shares	—	—	—	(85)	—	(85)
Cancellation of treasury shares	—	(194)	(64)	271	—	271
Dividends	—	—	(45,354)	(45,354)	—	(45,354)
Changes associated with obtaining control of subsidiaries	—	—	—	—	576	576
Changes associated with losing control of subsidiaries	—	—	—	—	(67)	(67)
Transfer from other components of equity to retained earnings	4,272	(5,512)	5,512	—	—	—
Total transactions with owners of the Company	4,272	(5,707)	(39,905)	(45,167)	509	(44,658)
Balance as of March 31, 2020	—	82,094	1,241,600	1,305,809	464	1,306,274
Profit for the year	—	—	75,958	75,958	(127)	75,830
Other comprehensive income (loss) for the year	7,847	39,151	—	39,151	—	39,151
Total comprehensive income (loss) for the year	7,847	39,151	75,958	115,110	(127)	114,982
Purchase of treasury shares	—	—	—	(100,192)	—	(100,192)
Cancellation of treasury shares	—	(572)	(474)	273	—	273
Dividends	—	—	(48,946)	(48,946)	—	(48,946)
Changes associated with losing control of subsidiaries	—	—	—	—	(336)	(336)
Transfer from other components of equity to retained earnings	(7,847)	(9,194)	9,194	—	—	—
Total transactions with owners of the Company	(7,847)	(9,767)	(40,226)	(148,866)	(336)	(149,203)
Balance as of March 31, 2021	—	111,479	1,277,332	1,272,053	—	1,272,053

Consolidated Statement of Cash Flows

(Millions of yen)

	FY2019 (For the year ended March 31, 2020)	FY2020 (For the year ended March 31, 2021)
Cash flows from operating activities		
Profit before tax	141,164	74,124
Depreciation and amortization	52,611	57,382
Impairment loss	7,548	607
Financial income	(9,849)	(12,916)
Financial expenses	7,813	2,755
Share of (profit) loss of investments accounted for using the equity method	(327)	(168)
(Gain) loss on sale and disposal of non-current assets	(9,309)	829
(Increase) decrease in trade and other receivables	110,165	83,093
(Increase) decrease in inventories	(7,392)	(21,222)
Increase (decrease) in trade and other payables	(44,726)	23,882
Others, net	(29,650)	7,315
Subtotal	218,047	215,683
Interest and dividends received	7,261	2,889
Interest paid	(2,526)	(1,839)
Income taxes paid	(26,181)	(24,525)
Net cash flows from (used in) operating activities	196,601	192,207
Cash flows from investing activities		
Payments into time deposits	(881,884)	(568,192)
Proceeds from maturities of time deposits	908,646	746,544
Acquisition of securities	(152,836)	(352,431)
Proceeds from sale of securities	208,547	203,043
Acquisitions of property, plant and equipment	(31,936)	(31,245)
Proceeds from sale of property, plant and equipment	157	33
Acquisition of intangible assets	(20,629)	(32,848)
Acquisition of subsidiaries	463	(4,401)
Proceeds from sale of subsidiary	37,128	—
Payments for loans receivable	(533)	(24)
Proceeds from collection of loans receivable	520	725
Others, net	14,028	(449)
Net cash flows from (used in) investing activities	81,673	(39,246)
Cash flows from financing activities		
Proceeds from bonds and borrowings	3,981	—
Repayments of bonds and borrowings	(40,387)	(40,389)
Purchase of treasury shares	(85)	(100,192)
Proceeds from sale of treasury shares	0	2
Dividends paid	(45,356)	(48,946)
Others, net	(9,790)	(12,906)
Net cash flows from (used in) financing activities	(91,637)	(202,433)
Net increase (decrease) in cash and cash equivalents	186,636	(49,471)
Cash and cash equivalents at the beginning of the year	243,155	424,184
Effect of exchange rate change on cash and cash equivalents	(5,608)	5,834
Cash and cash equivalents at the end of the year	424,184	380,547

Major Products

Innovative Pharmaceuticals Business

Brand Name (Generic Name)		Efficacy	Launched	Remarks
Japan	Daiichi Sankyo Co., Ltd.			
Emgality	*(galcanezumab)*	Prophylaxis of migraine attacks	2021	Humanized CGRP monoclonal antibody. It binds specifically to calcitonin gene-related peptide (CGRP), which is considered to be associated with migraine, and thereby inhibits migraine attacks.
Enhertu	*(trastuzumab deruxtecan)*	Anti-cancer agent (HER2 directed antibody drug conjugate)	2020	Antibody-drug conjugate which is composed of a humanized monoclonal antibody specifically targeting HER2, one of the Epidermal Growth Factor Receptor (EGFR) family proteins, and a covalently linked drug (payload) via a cleavable linker. Payload is a potent and membrane permeable DNA topoisomerase I inhibitor which enables elimination of both target tumor cells and the surrounding tumor cells.
Tarlige	*(mirogabalin)*	Pain treatment	2019	An $\alpha 2\delta$ ligand. The pain therapy agent to reduce the neurotransmitter release from nerve terminals.
Canalia	*(teneligliptin / canagliflozin)*	Type 2 diabetes mellitus treatment	2017	A first combination drug of the DPP-4 inhibitor *teneligliptin* and the SGLT2 inhibitor *canagliflozin* approved in Japan, which demonstrates blood glucose-lowering activity through a complementary pharmacological effect.
Vimpat	*(lacosamide)*	Anti-epileptic agent	2016	Sodium channel blocker. Suppresses the excessive excitation of nerves in the brain, and reduces the occurrence of epileptic seizures.
Efient	*(prasugrel)*	Antiplatelet agent	2014	ADP receptor inhibitor. Inhibits platelet aggregation and reduces the incidence of artery stenosis and occlusion due to thrombosis.
Pralia	*(denosumab)*	Treatment for osteoporosis / inhibitor for rheumatoid arthritis-induced progression of bone erosion	2013	Human monoclonal anti-RANKL antibody. Subcutaneous formulation which controls bone resorption and bone destruction by specifically inhibiting RANKL.
Tenelia	*(teneligliptin)*	Type 2 diabetes mellitus treatment	2012	DPP-4 inhibitor. The agent facilitates glucose-dependent insulin release and inhibits glucagon release, thereby demonstrating the blood glucose-lowering activity.
Ranmark	*(denosumab)*	Treatment for bone disorders caused by bone metastases from tumors	2012	Human monoclonal anti-RANKL antibody. This controls abnormal bone destruction caused by osteoclasts, and reduces the occurrence of fractures and other skeletal related events (SRE). Approved for the indication of giant cell tumors of bone in 2014 and was designated as an orphan drug.
Lixiana	*(edoxaban)*	Anticoagulant	2011	Orally active Factor Xa inhibitor. Prevents the formation of blood clots by specifically, reversibly and directly inhibiting the enzyme, Factor Xa, a clotting factor in the blood.
Nexium	*(esomeprazole)*	Ulcer treatment	2011	Proton pump inhibitor. This can be used for a wide range of ages, from infants to adults. It suppresses excessive gastric acid secretion.
Memary	*(memantine)*	Alzheimer's disease treatment	2011	N-methyl-D-aspartate (NMDA) receptor antagonist. *Memantine* slows down progression of dementia symptoms in patients with moderate to severe Alzheimer's disease.
Inavir	*(laninamivir)*	Anti-influenza treatment	2010	Neuraminidase inhibitor that inhibits influenza viral proliferation. Treatment is completed with a single inhaled dosage.
Olmetec	*(olmesartan)*	Antihypertensive agent	2004	Angiotensin II receptor blocker. This suppresses the vasoconstriction effects of angiotensin II, and thereby demonstrates the effect of lowering blood pressure.
Rezaltas			2010	A combination drug of two antihypertensive agents: an angiotensin II receptor blocker, *olmesartan medoxomil*, and a calcium ion antagonist, *azelnidipine*. This combination demonstrates the effect of decreasing blood pressure through a complementary pharmacological effect.
Cravit	*(levofloxacin)*	Synthetic antibacterial agent	1993	New quinolone antibacterial agent offering strong antibacterial action and a broad antibacterial spectrum.
Mevalotin	*(pravastatin)*	Hypercholesterolemia treatment	1989	HMG-CoA reductase inhibitor (statin) that lowers blood cholesterol levels by inhibiting cholesterol synthesis in the liver.
Loxonin	*(loxoprofen)*	Anti-inflammatory analgesic	1986	Nonsteroidal anti-inflammatory analgesic. Suppresses the production of prostaglandin associated with inflammation, and thereby demonstrates an analgesic effect. Also available as transdermal agents (poultice, gel, tape).

Lixiana (Japan)

Tenelia, *Canalia* (Japan)

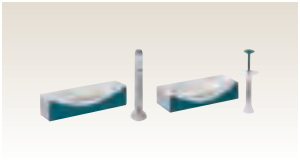
Pralia (Japan)

Tarlige (Japan)

Ranmark (Japan)

Efient (Japan)

Enhertu (Japan)



Emgality (Japan)

Innovative Pharmaceuticals Business

Brand Name (Generic Name)		Efficacy	Launched	Remarks
US Daiichi Sankyo, Inc.				
Enhertu	*(trastuzumab deruxtecan)*	Treatment for malignant tumors (anti-HER2 antibody drug conjugate)	2020	An antibody drug conjugate that combines a fully human monoclonal antibody with a payload drug through a linker. The human monoclonal antibody binds specifically to human epidermal growth factor receptor 2 (HER2), a member of cell growth factor family receptor. The payload is a potent topoisomerase I inhibitor that has high membrane permeability and also kills nearby cancer cells with a bystander effect.
Savaysa	*(edoxaban)*	Anticoagulant	2015	Orally active Factor Xa inhibitor. Prevents the formation of blood clots by specifically, reversibly and directly inhibiting the enzyme, Factor Xa, a clotting factor in the blood.
Effient	*(prasugrel)*	Antiplatelet agent	2009	Inhibits platelet aggregation and reduces the incidence of artery stenosis and occlusion
Benicar	*(olmesartan)*	Antihypertensive agent	2002	*Benicar*: *Olmesartan*
Benicar HCT			2003	*Benicar HCT*: A combination drug of *olmesartan medoxomil* and *hydrochlorothiazide* (diuretic)
Azor			2007	*Azor*: A combination drug of *olmesartan medoxomil* and *amlodipine besylate* (calcium channel blocker)
Tribenzor			2010	*Tribenzor*: A triple combination drug of *olmesartan medoxomil*, *hydrochlorothiazide*, and *amlodipine besylate*
Welchol	*(colesevelam)*	Hypercholesterolemia treatment Type 2 diabetes mellitus treatment	2000	Bile acid sequestrant. Marketed as a drug for treatment of hypercholesterolemia. Gained approval also for type 2 diabetes mellitus indication as part of life-cycle management
US American Regent, Inc.				
Injectafer	*(ferric carboxymaltose injection)*	Iron deficiency anemia treatment	2013	Effective for patients who have intolerance to oral iron or have had unsatisfactory response to oral iron, or who have non-dialysis-dependent chronic kidney disease
Venofer	*(iron sucrose injection)*	Iron deficiency anemia treatment	2000	Iron replacement product. Effective for treatment of iron deficiency anemia in dialysis patients, etc.
Europe Daiichi Sankyo Europe GmbH				
Enhertu	*(trastuzumab deruxtecan)*	Anti-cancer agent (HER2 directed antibody drug conjugate)	2021	Antibody-drug conjugate which is composed of a humanized monoclonal antibody specifically targeting HER2, one of the Epidermal Growth Factor Receptor (EGFR) family proteins, and a covalently linked drug (payload) via a cleavable linker. Payload is a potent and membrane permeable DNA topoisomerase I inhibitor which enables elimination of both target tumor cells and the surrounding tumor cells.
Lixiana	*(edoxaban)*	Anticoagulant	2015	Orally active Factor Xa inhibitor. Prevents the formation of blood clots by specifically, reversibly and directly inhibiting the enzyme, Factor Xa, a clotting factor in the blood.
Efient	*(prasugrel)*	Antiplatelet agent	2009	Inhibits platelet aggregation and reduces the incidence of artery stenosis and occlusion
Olmetec	*(olmesartan)*	Antihypertensive agent	2002	*Olmetec*: *Olmesartan*
Olmetec Plus			2005	*Olmetec Plus*: A combination drug of *olmesartan medoxomil* and *hydrochlorothiazide* (diuretic)
Sevikar			2009	*Sevikar*: A combination drug of *olmesartan medoxomil* and *amlodipine besylate* (calcium channel blocker)
Sevikar HCT			2010	*Sevikar HCT*: A triple combination drug of *olmesartan medoxomil*, *hydrochlorothiazide*, and *amlodipine besylate*

Generic Business

Brand Name (Efficacy)	
Japan Daiichi Sankyo Espha Co., Ltd.	
Olmesartan	(Antihypertensive agent)
Memantine OD	(Alzheimer's disease treatment)
Gefitinib	(Treatment for malignant tumors)
Bicalutamide	(Prostate cancer treatment)
Tamoxifen	(Anti-breast cancer agent)

Vaccine Business

Brand Name
Japan Daiichi Sankyo Co., Ltd.
Influenza HA Vaccine
Live Attenuated Measles-Rubella Combined Vaccine
Live Attenuated Mumps Vaccine
H5N1 Influenza Vaccines

OTC Related Business

Brand Name	
Japan Daiichi Sankyo Healthcare Co., Ltd.	
Lulu	(Combination cold remedy)
Loxonin S	(Antipyretic analgesic / topical anti-inflammatory analgesic)
Transino	(Melasma improvement / treatment against spots and freckles)
Minon	(Skincare)
Breath Labo	(Oral care)
Clean Dental	(Oral care)

Enhertu (US)

Injectafer (US)

Lixiana (Europe)

Memantine OD (Generic Drugs)

Gefitinib (Generic Drugs)

Influenza HA Vaccine (Vaccines)

Lulu (OTC Related Drugs)

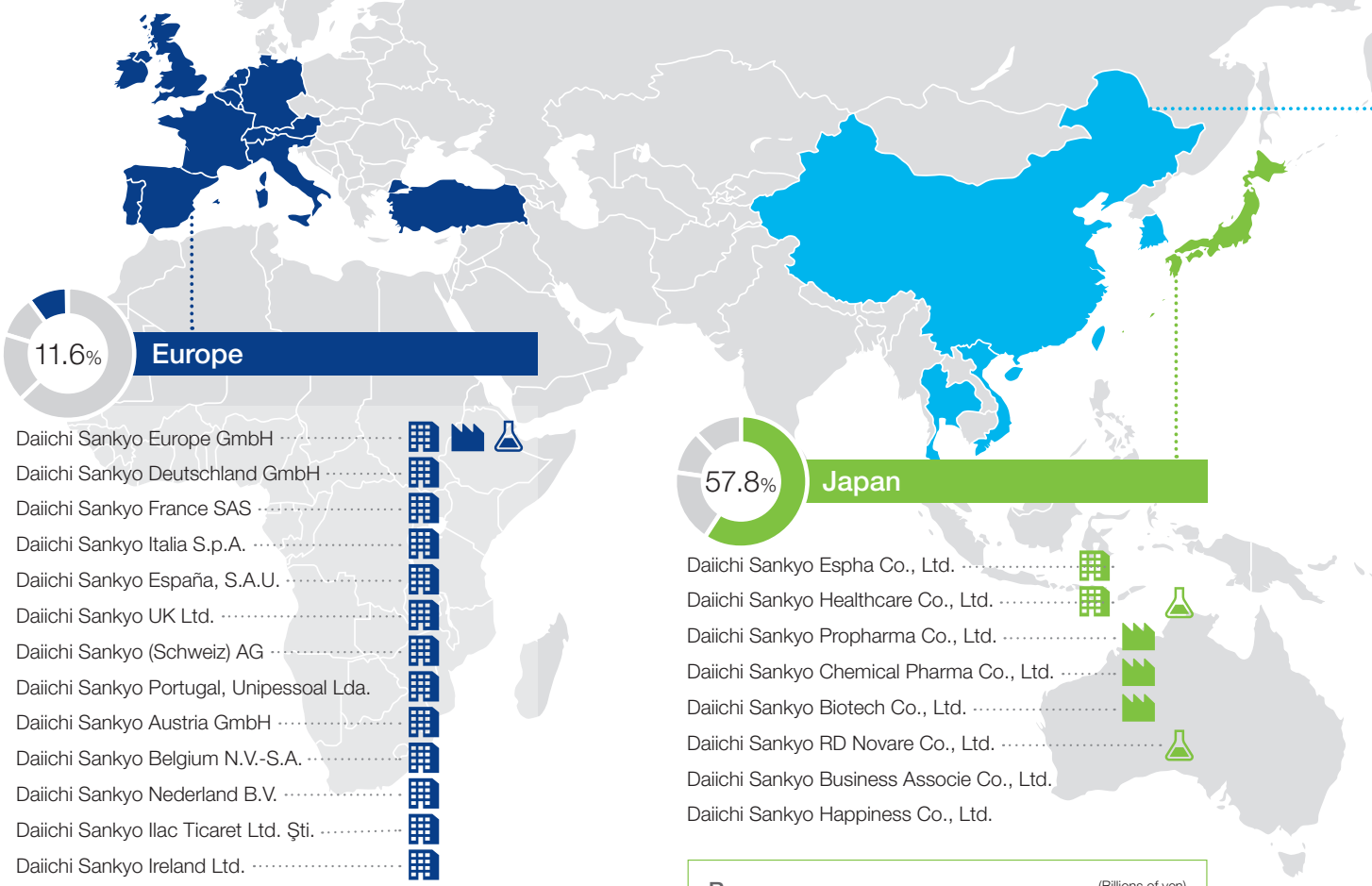
Minon series (OTC Related Drugs)

Corporate Profile / Main Group Companies

Corporate Profile

(As of April 1, 2021)

Company name	DAIICHI SANKYO CO., LTD.
Established	September 28, 2005
Business	Research and development, manufacturing, import, sales, and marketing of pharmaceutical products
Share capital	¥50,000 million
Headquarters	3-5-1, Nihonbashi-honcho, Chuo-ku, Tokyo 103-8426, Japan
Branches	Sapporo, Tohoku, Tokyo, Chiba, Saitama, Yokohama, Kanetsu, Tokai, Kyoto, Osaka, Kobe, Chugoku, Shikoku, and Kyushu



11.6% **Europe**

- Daiichi Sankyo Europe GmbH
- Daiichi Sankyo Deutschland GmbH
- Daiichi Sankyo France SAS
- Daiichi Sankyo Italia S.p.A.
- Daiichi Sankyo España, S.A.U.
- Daiichi Sankyo UK Ltd.
- Daiichi Sankyo (Schweiz) AG
- Daiichi Sankyo Portugal, Unipessoal Lda.
- Daiichi Sankyo Austria GmbH
- Daiichi Sankyo Belgium N.V.-S.A.
- Daiichi Sankyo Nederland B.V.
- Daiichi Sankyo Ilac Ticaret Ltd. Şti.
- Daiichi Sankyo Ireland Ltd.
- Daiichi Sankyo Altkirch Sarl

57.8% **Japan**

- Daiichi Sankyo Espha Co., Ltd.
- Daiichi Sankyo Healthcare Co., Ltd.
- Daiichi Sankyo Propharma Co., Ltd.
- Daiichi Sankyo Chemical Pharma Co., Ltd.
- Daiichi Sankyo Biotech Co., Ltd.
- Daiichi Sankyo RD Novare Co., Ltd.
- Daiichi Sankyo Business Associe Co., Ltd.
- Daiichi Sankyo Happiness Co., Ltd.

Revenue

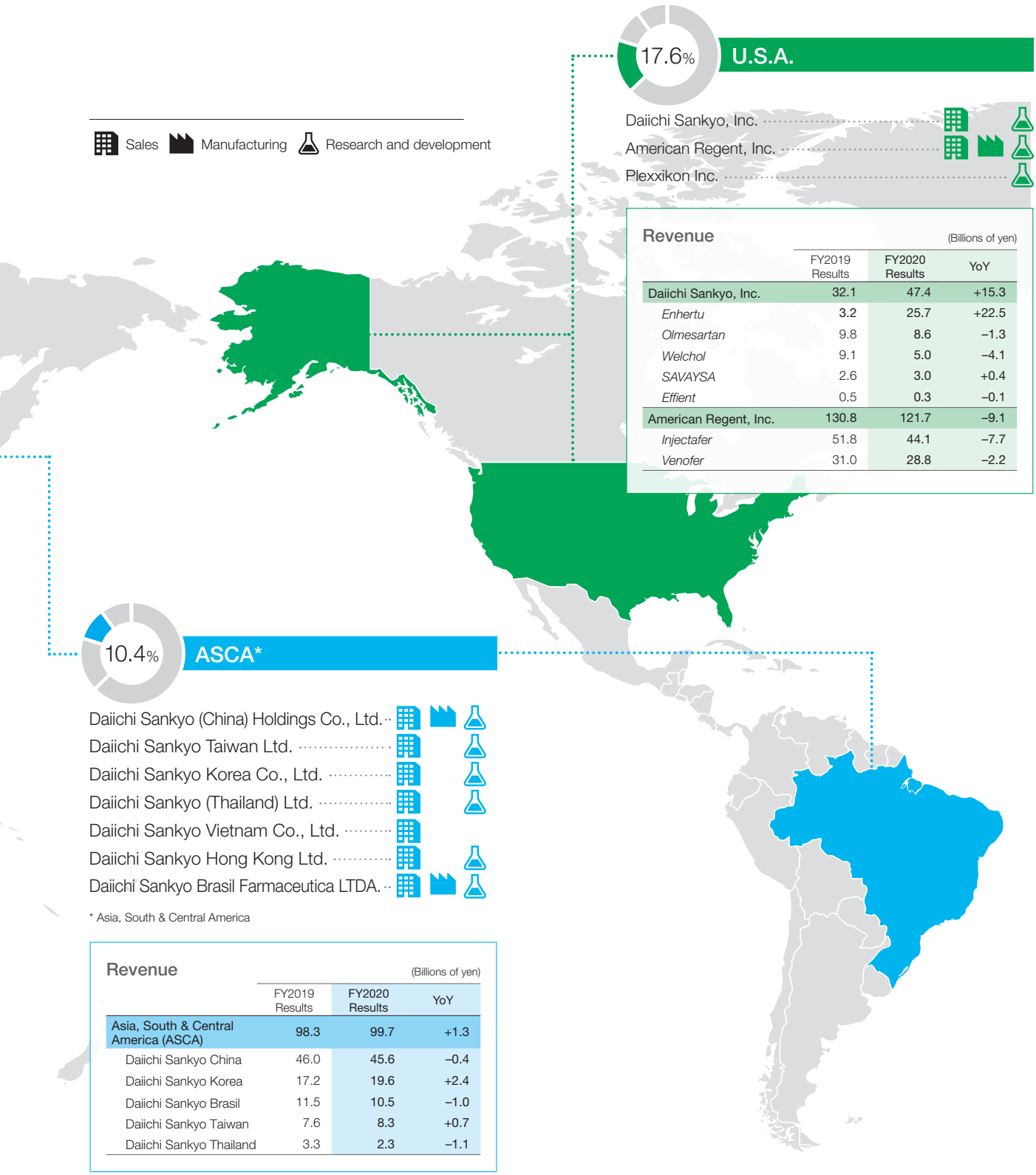
(Billions of yen)

	FY2019 Results	FY2020 Results	YoY
Daiichi Sankyo Europe	95.5	111.7	+16.1
ENHERTU	–	0.0	0.0
LIXIANA	61.7	76.7	+15.0
Olmesartan	24.6	21.5	–3.1
Efient	2.5	1.6	–0.9

Revenue

(Billions of yen)

	FY2019 Results	FY2020 Results	YoY
Domestic Prescription Drug and Vaccine Business	533.5	489.1	–44.4
NEXIUM	79.8	77.8	–1.9
LIXIANA	83.0	77.4	–5.6
PRALIA	30.9	34.6	+3.7
TENELIA	24.7	24.2	–0.5
Loxonin	28.3	24.2	–4.1
Tarlige	8.0	20.6	+12.6
RANMARK	17.9	19.3	+1.4
Memary	50.5	18.4	–32.1
CANALIA	12.8	15.4	+2.6
VIMPAT	11.2	14.5	+3.4
Efient	14.0	14.1	+0.1
Rezaltas	14.6	13.1	–1.5
Olmetec	11.7	9.2	–2.4
ENHERTU	–	4.4	+4.4
Inavir	19.3	3.6	–15.6
Daiichi Sankyo Healthcare (OTC Related)	68.5	67.2	–1.3



* Asia, South & Central America

Revenue (Billions of yen)

	FY2019 Results	FY2020 Results	YoY
Daiichi Sankyo, Inc.	32.1	47.4	+15.3
Enhertu	3.2	25.7	+22.5
Olmesartan	9.8	8.6	–1.3
Welchol	9.1	5.0	–4.1
SAVAYSA	2.6	3.0	+0.4
Effient	0.5	0.3	–0.1
American Regent, Inc.	130.8	121.7	–9.1
Injectafer	51.8	44.1	–7.7
Venofer	31.0	28.8	–2.2

Revenue (Billions of yen)

	FY2019 Results	FY2020 Results	YoY
Asia, South & Central America (ASCA)	98.3	99.7	+1.3
Daiichi Sankyo China	46.0	45.6	–0.4
Daiichi Sankyo Korea	17.2	19.6	+2.4
Daiichi Sankyo Brasil	11.5	10.5	–1.0
Daiichi Sankyo Taiwan	7.6	8.3	+0.7
Daiichi Sankyo Thailand	3.3	2.3	–1.1

Number of Bases

(As of March 31, 2021)

Group companies
50

Number of countries/regions with bases
24

R&D bases
17 bases in **10** countries/regions

Production bases
13 bases in **6** countries/regions

ESG (Environmental, Social, and Governance) Data

Environmental

Promoting Environmental Management

Aspect	Classification	Item	Scope*1	Unit	FY2018	FY2019	FY2020
CO_2	CO_2 emissions		In Japan	t-CO_2	159,406	152,486	☑ 130,572
			Global	t-CO_2	214,643	207,035	☑ 182,865
	CO_2 emissions by Greenhouse Gas Protocol	Scope 1*2	In Japan	t-CO_2	79,505	78,597	☑ 69,103
			Global	t-CO_2	100,503	100,411	☑ 86,785
		Scope 2*3	In Japan	t-CO_2	79,901	73,889	☑ 61,468
			Global	t-CO_2	114,140	106,624	☑ 96,080
Water resources	Water used		Factories and research laboratories in Japan	1,000m^3	9,867	8,894	☑ 7,926
			Global	1,000m^3	10,393	9,356	8,395
	Wastewater		Factories and research laboratories in Japan	1,000m^3	9,476	8,797	☑ 7,789
			Global	1,000m^3	9,809	9,111	8,113
	Effective water usage volume*4		Global	1,000m^3	584	245	282
Waste	Total amount of waste generated (including valuables)		In Japan	t	14,684	17,371	☑ 17,362
			Global	t	17,044	19,315	19,319
	Final disposal rate		In Japan	%	0.51	0.29	0.65
	Amount of office paper consumed		In Japan	Million sheets	51.09	43.20	27.50

☑ Information with this mark is assured by KPMG AZSA Sustainability Co., Ltd.

Social

Promoting Compliance Management

Aspect	Classification	Item	Scope*1	Unit	FY2018	FY2019	FY2020
Compliance	Training on Daiichi Sankyo Group Individual Conduct Principles	Number of employees participating in e-learning and group training	In Japan	Persons	9,248	9,070	9,167
			Outside Japan	Persons	Approx. 6,100	Approx. 3,140	4,813
	GVP*5 compliance training	Ratio of GVP-related employees undergoing training	Non-consolidated	%	100	100	100
		Number of all employees (excluding GVP-related employees) undergoing training	Non-consolidated	Persons	5,682	5,822	5,849
	Development-related training (including GCP)	Aggregate number of e-learning programs and group training sessions	Non-consolidated	Times	86	92	141

Compliance Data for FY2020 (Global)

- Number of allegations received: 185
- Categories of allegations: Financial and competitive integrity, Workplace standards, Marketing and promotional activities, Conflicts of interest, Others
- Measures: Out of all allegations received, we appropriately investigated cases that we determined as requiring investigation. For cases that were recognized as compliance violations among them, we took necessary disciplinary action including dismissing the violators.

Note: The results included in this information for FY2020 were calculated by each DS affiliate based on the individual criteria, as impacted by regional differences in laws, employment practices, and local policies & procedures. Accordingly, this information has been aggregated and the discrepancies impact the overall meaning and categorization of the figures.

*1 In Japan: Daiichi Sankyo (non-consolidated) and consolidated subsidiaries in Japan. Outside Japan: consolidated overseas subsidiaries. Global: Daiichi Sankyo (non-consolidated) and all its consolidated subsidiaries.
*2 Scope 1: For sites in Japan, the emission factors stipulated by the Act on Promotion of Global Warming Countermeasures are used. The emissions from renewable energy and waste incineration are included. For overseas sites, the emission factors stipulated by each country's regulation are generally used. If the specific factors are not available, the emission factors stipulated by the Act on Promotion of Global Warming Countermeasures are used.
*3 Scope 2: Generally, the emission factors are determined by the power contract or each country's regulations. If the specific factors are not available, the latest factors (as of 2018) published by the International Energy Agency (IEA) are used instead. The emissions from renewable energy are included.
*4 Water intake-Wastewater
*5 Good Vigilance Practice: Standard for post-marketing safety control of pharmaceuticals, quasi-pharmaceutical products, cosmetics, and medical devices

The Company updates its corporate website with other ESG data.
https://www.daiichisankyo.com/sustainability/performance-reports/esg/

Mutual Growth of Employees and the Company

Aspect	Classification	Item	Scope*1		Unit	FY2018	FY2019	FY2020
Employees	Employee data*6	Number of employees by region*7	In Japan		Persons	8,865	8,754	☑ 8,979
			Outside Japan		Persons	6,022	6,594	☑ 7,054
			Global		Persons	14,887	15,348	☑ 16,033
		Number of male employees	In Japan		Persons	6,695	6,608	☑ 6,683
			Outside Japan		Persons	3,076	3,232	☑ 3,410
		Number of female employees	In Japan		Persons	2,170	2,146	☑ 2,296
			Outside Japan		Persons	2,946	3,362	☑ 3,644
		Average years of service	In Japan	Male	Years	20.1	20.4	20.9
				Female	Years	15.5	15.2	15.1
				All	Years	19.0	19.1	19.4
	Diversity*6	Percentage of female employees	In Japan		%	24.5	24.5	☑ 25.6
			Global		%	34.4	35.9	☑ 37.0
		Percentage of women in managerial positions	In Japan		%	6.5	7.3	☑ 7.9
			Global		%	22.5	25.3	☑ 26.9
		Percentage of women in senior managerial positions*8	In Japan		%	2.1	1.7	3.7*9
			Global		%	22.5	22.8	16.3*9
		Employment rate of people with physical or mental disabilities	In Japan		%	2.43	2.33	☑ 2.34
	Human resources development	Number of company-wide award winners*10	In Japan		Persons	44	60	62
		Employee turnover rate*11	Global		%	6.0	5.3	4.1

☑ Information with this mark is assured by KPMG AZSA Sustainability Co., Ltd.

Enhancement of Communication with Stakeholders

Aspect	Classification	Item	Scope*1	Unit	FY2018	FY2019	FY2020
Patients and medical professionals	Evaluation of corporate stance and MR activities	MRs rated (all responding physicians)*12	In Japan	Rank	First	First	First
		MRs rated (hospital doctors)*12	In Japan	Rank	First	First	First
		MRs rated (private-practice physicians)*12	In Japan	Rank	First	First	First
	Number of inquiries our Medical Information Center received from outside the Company (pharmaceutical products)		In Japan	1,000 cases	89	90	70

Improvement of Access to Healthcare

Aspect	Classification	Item	Scope	Unit	FY2018	FY2019	FY2020
Social	Number of mobile healthcare field clinics	Number of activities (January–December)	In Tanzania/ Myanmar	Times	1,090	28	8
	Number of development projects conducted through the GHIT Fund*13		In Japan	Cases	4	4	6

Social Contribution Activities

Aspect	Classification	Item	Scope*1	Unit	FY2018	FY2019	FY2020
Social	Amount of contributions		Non-consolidated	Millions of yen	1,532	1,396	1,464
	Number of visitors to our laboratories/factories		In Japan	Persons	849	667	4
	Number of visitors to Kusuri Museum*14		Non-consolidated	Persons	24,362	20,568	1,261
Employees	Acquisition of volunteer leave		In Japan	Persons	17	16	0

Governance

Aspect	Classification	Item	Scope	Unit	FY2018	FY2019	FY2020
Governance	Structure of Board of Directors	Number of directors	Non-consolidated	Persons	9	9	9
		Number of outside directors	Non-consolidated	Persons	4	4	4
		Number of female directors	Non-consolidated	Persons	1	1	1
	Structure of Audit & Supervisory Board	Number of Audit & Supervisory Board members	Non-consolidated	Persons	5	5	5
		Number of Outside Audit & Supervisory Board members	Non-consolidated	Persons	3	3	3
		Number of Outside Audit & Supervisory Board members (female)	Non-consolidated	Persons	2	2	2
	Remuneration of Directors	Total	Non-consolidated	Millions of yen	650	683	547
	Remuneration of Audit & Supervisory Board members	Total	Non-consolidated	Millions of yen	120	120	120

*6 The number of employees as of the settlement date of each Group company (as of March 31, 2021 for FY2020).
*7 The number of employees as of the settlement date of each Group company (as of March 31, 2021 for FY2020). Average years of service is as of April 1 of the next fiscal year.
*8 Percentage of women who are in positions equivalent to division heads or higher positions
*9 The definition of senior managerial positions in group companies has been changed since FY 2020
*10 Total number of employees who received prize from culture-building and achievement awards
*11 Rate of employees retiring for personal reasons
*12 Conducted by ANTERIO Inc. (FY2018–FY2020)
*13 Global Health Innovative Technology Fund
*14 In FY2020, as a measure to prevent the spread of COVID-19, opened by reservation only, limited to 3 groups per day (maximum 10 people)

Independent Assurance Report for Environmental and Social Indicators

Independent Assurance Report

To the President and CEO of Daiichi Sankyo Co, Ltd.

We were engaged by Daiichi Sankyo Co., Ltd. (the "Company") to undertake a limited assurance engagement of the environmental and social performance indicators marked with ☑ (the "Indicators") for the period from April 1, 2020 to March 31, 2021 included in its Value Report 2021 (the "Report") for the fiscal year ended March 31, 2021.

The Company's Responsibility

The Company is responsible for the preparation of the Indicators in accordance with its own reporting criteria (the "Company's reporting criteria"), as described in the Report.

Our Responsibility

Our responsibility is to express a limited assurance conclusion on the Indicators based on the procedures we have performed. We conducted our engagement in accordance with the 'International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements other than Audits or Reviews of Historical Financial Information' and the 'ISAE 3410, Assurance Engagements on Greenhouse Gas Statements' issued by the International Auditing and Assurance Standards Board. The limited assurance engagement consisted of making inquiries, primarily of persons responsible for the preparation of information presented in the Report, and applying analytical and other procedures, and the procedures performed vary in nature from, and are less in extent than for, a reasonable assurance engagement. The level of assurance provided is thus not as high as that provided by a reasonable assurance engagement. Our assurance procedures included:

- Interviewing the Company's responsible personnel to obtain an understanding of its policy for preparing the Report and reviewing the Company's reporting criteria.
- Inquiring about the design of the systems and methods used to collect and process the Indicators.
- Performing analytical procedures on the Indicators.
- Examining, on a test basis, evidence supporting the generation, aggregation and reporting of the Indicators in conformity with the Company's reporting criteria, and recalculating the Indicators.
- Making inquiries and reviewing materials including documented evidence of Daiichi Sankyo Propharma Co., Ltd.'s Hiratsuka Plant selected on the basis of a risk analysis, as alternative procedures to a site visit.
- Evaluating the overall presentation of the Indicators.

Conclusion

Based on the procedures performed, as described above, nothing has come to our attention that causes us to believe that the Indicators in the Report are not prepared, in all material respects, in accordance with the Company's reporting criteria as described in the Report.

Our Independence and Quality Control

We have complied with the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which includes independence and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior. In accordance with International Standard on Quality Control 1, we maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

KPMG AZSA Sustainability Co., Ltd.

KPMG AZSA Sustainability Co., Ltd.
Tokyo, Japan
October 29, 2021

Inclusion in ESG Indices in Reflection of External CSR and ESG Evaluations

To address sustainability issues, we pursue ongoing improvements to our corporate values. These efforts have been highly appreciated, resulting in the Group being selected for the following ESG indices as of September 2021.

Selected for the "World Index" in the pharmaceutical sector for four consecutive years

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

The Dow Jones Sustainability Indices(DJSI), managed by S&P Global are ESG indices evaluating the sustainability of a company and provides important criterion for investors to select investment targets.

The Company has been included in the DJSI World Index for four consecutive years from 2017 and the DJSI Asia/Pacific for eleven consecutive years from 2010. Specifically, the Company was recognized for its strong performance in the areas of Marketing Practice, Environmental Reporting, Environmental Policy & Management System and Social Reporting.

Items that received the highest appraisal in the pharmaceutical sector

Economic aspects	• Marketing Practice
Environmental aspects	• Environmental Reporting • Environmental Policy & Management System
Social aspects	• Social Reporting

Selected consecutively for thirteen years/five years

FTSE4Good

FTSE Blossom Japan

The FTSE4Good Index Series and the FTSE Blossom Japan Index are indices that reflect the performance of corporations that excel in environmental, society, and governance (ESG) factors, established by FTSE Russell, a global index provider and wholly-owned subsidiary of the London Stock Exchange.

The Company has been selected for thirteen consecutive years from 2009 as a component of the FTSE4Good Global Index and for five consecutive years from 2017 as a component of the FTSE Blossom Japan Index.

This index is one of four indices selected by the Government Pension Investment Fund (GPIF) as an ESG Index in Japanese stocks.

FTSE Russell (the trading name of FTSE International Limited and Frank Russell Company) confirms that Daiichi Sankyo Co., Ltd. has been independently assessed according to the index criteria, and has satisfied the requirements to become a constituent of the FTSE Blossom Japan Index. Created by the global index provider FTSE Russell, the FTSE Blossom Japan Index is designed to measure the performance of Japanese companies demonstrating strong Environmental, Social and Governance (ESG) practices. The FTSE Blossom Japan Index is used by a wide variety of market participants to create and assess responsible investment funds and other products.

Selected consecutively for six years

2021
Sompo Sustainability Index

The SNAM Sustainability Index is an SRI fund managed by Sompo Japan Nipponkoa Asset Management Co., Ltd., aimed at pension funds and institutional investors that invest in a wide range of companies highly rated in terms of ESG factors (environment, society, governance). The Company has been included in this index for six consecutive years from 2016.

Selected consecutively for four years

2021 CONSTITUENT MSCI JAPAN
EMPOWERING WOMEN INDEX (WIN)

The MSCI Japan Empowering Women (WIN) Select Index is an index of MSCI in the U.S. that assesses gender diversity in corporations such as the percentage of females among new recruits, employees, average work years and the percentage of female executives, and comprises corporations that excel in these factors. The Company has been included in this index for four consecutive years from 2018. This index is one of four indices selected by the Government Pension Investment Fund (GPIF) as an ESG Index in Japanese stocks.

Selected consecutively for three years

2021 CONSTITUENT MSCI JAPAN
ESG SELECT LEADERS INDEX

The MSCI Japan ESG Select Leaders Index is an index of MSCI in the U.S. that comprises corporations among corporations included in the MSCI Japan IMI Top 700 Index that are highly assessed in ESG (environment, society, and governance) evaluations. The Company has been included in this index for three consecutive years from 2019. This index is one of four indices selected by the Government Pension Investment Fund (GPIF) as an ESG Index in Japanese stocks.

(As of September 2021)

Shareholders' Information

Common Stock (As of March 31, 2021)

Number of shares authorized	8,400,000,000
Number of shares issued	2,127,034,029
	(including 210,868,203 treasury shares)
Number of shareholders	82,607

Share Registrar

Mitsubishi UFJ Trust and Banking Corporation

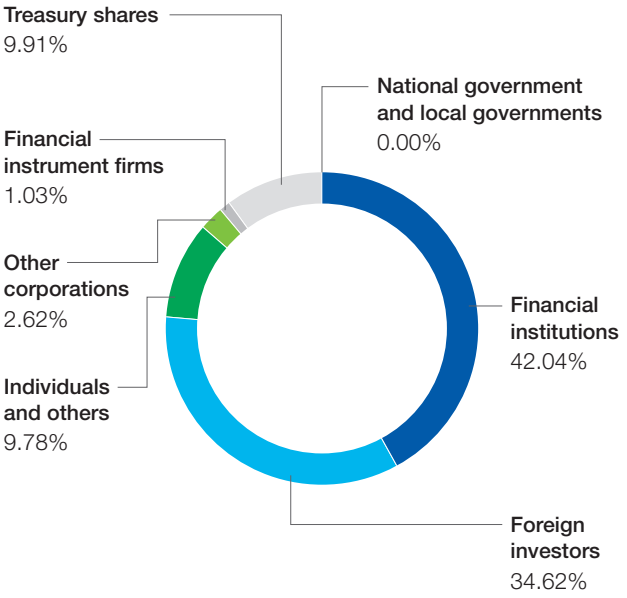
Mailing address and telephone number:
Mitsubishi UFJ Trust and Banking Corporation
Corporate Agency Division
Shin-TOKYO Post Office post office box No.29,
137-8081, Japan
Tel: 0120-232-711 (toll free within Japan)

Major Shareholders (As of March 31, 2021)

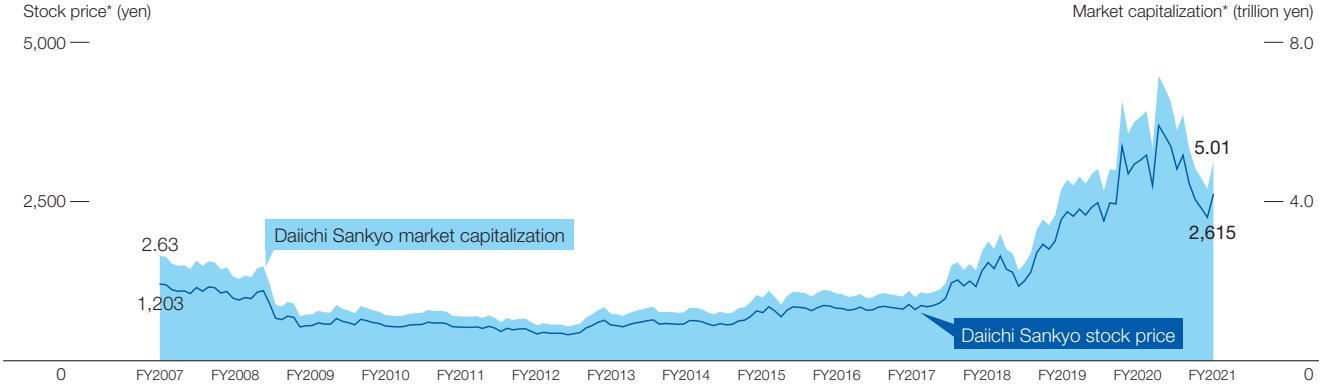
Name	Number of Shares Held (Thousands of shares)	Ratio (%)
The Master Trust Bank of Japan, Ltd. (trust account)	218,758	11.42
JP Morgan Chase Bank 385632	182,590	9.53
Custody Bank of Japan, Ltd. (trust account)	151,386	7.90
Nippon Life Insurance Company	107,328	5.60
SSBTC CLIENT OMNIBUS ACCOUNT	68,490	3.57
Custody Bank of Japan, Ltd. as trustee for Mizuho Bank, Ltd. Retirement Benefit Trust Account re-entrusted by Mizuho Trust and Banking Co., Ltd.	43,208	2.25
Custody Bank of Japan, Ltd. (trust account 7)	40,937	2.14
STATE STREET BANK AND TRUST COMPANY 505001	36,402	1.90
The Shizuoka Bank, Ltd.	34,172	1.78
Government of Norway	28,069	1.46

Notes: 1. The Company held 210,868,203 treasury shares as of March 31, 2021, which are excluded from the above list.
2. Treasury shares are not included in the computing of equity stake.

Distribution of Shareholders (As of March 31, 2021)



Market Capitalization and Changes in Stock Price



* Stock prices and market capitalization are based on closing price at the end of month from March 2007 to August 2021. Stock price is post-share split base (Effective October 1, 2020, Daiichi Sankyo implemented a three-for-one share split of its ordinary shares). Market capitalization is calculated excluding treasury stocks.

External Evaluations

(as of September 30, 2021)

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