

Round-table Discussion with Outside Directors

# Enriching discussions aimed at sustainable growth and steadily fulfilling a supervisory role to realize the Daiichi Sankyo Group's Purpose

We asked our Outside Directors for their opinions about how the Board's oversight functions could help achieve sustainable growth and realize our Purpose.



## Kazuaki Kama

Outside Director (Independent Director)

Possesses a wealth of experience and wide-ranging knowledge of corporate management, as well as finance and accounting, based on his experience as a business executive at a comprehensive heavy industry manufacturer. Appointed as an Outside Director of the Company in June 2019. Served as chairperson of the Compensation Committee from June 2019 to June 2022 and appointed chairperson of the Nomination Committee in June 2022.

## Noritaka Uji

Outside Director (Independent Director)

Possesses a wealth of experience and wide-ranging knowledge of corporate management, as well as IT and digital technology, based on his experience as a business executive in the telecommunications field. Appointed as an Outside Director of the Company in June 2014. Appointed chairperson of the Board of Directors in June 2020, the first Outside Director to assume the position.

## Sawako Nohara

Outside Director (Independent Director)

Possesses a wealth of experience and wide-ranging knowledge of corporate management, as well as IT, business strategy, and marketing, based on her experience as the founder and the manager of an internet and digital business company. Appointed as an Outside Director of the Company in June 2019. Appointed chairperson of the Compensation Committee in June 2022.

## Yasuhiro Komatsu

Outside Director (Independent Director)

Possesses a wealth of experience and wide-ranging knowledge of healthcare in general, as well as clinical governance, public health, drug safety, and risk management, based on his experience as a medical scientist. Appointed as an Outside Director of the Company in June 2022.

— What are the discussions and atmosphere of the Board of Directors like?

Uji

In short, our Board of Directors is very conducive to free and open discussion. I have served as Chairperson of the Board of Directors since 2020 as the first Outside Director to hold the position and I believe the role of chairperson is important for activating Board meetings. I have quite often communicated with the CEO and CFO and I have also attended Executive Management Committee as an observer. The members of the Board receive briefings and other information in advance from the administrative office of the Board of Directors. While keeping in mind the separation between execution and supervision, the Board of Directors has been able to have rather high quality discussions.

Nohara

Led by the strong passion and commitment of the CEO and the Chairperson, incredibly fruitful discussions take place during Board meetings. And the impact of those discussions extends beyond our meetings as the Company's executive team digests our opinions and proposals to reconsider certain issues and then provides feedback to the Board. In addition, the Chairperson draws on his perspective as an Outside Director to select appropriate agenda items after discussing with the Company's executives. The system that allows Outside Directors to participate in Executive Management Committee meetings online as an observer and the opportunity to tour the *Enhertu*<sup>®</sup> manufacturing facility and research laboratories, for example, also help improve the quality of Board discussions because they give us a better understanding of the Company's actual circumstances.

Kama

Having an Outside Director Uji serve as Chairperson of the Board, both inside and outside Directors are able to engage in even more lively discussions. We have more opportunities now than ever to discuss topics such as mid-to-long-term business strategies, risk management, and compliance. And we appreciate that the Board has certainly been able to discuss important decision-making matters.

**The Board will work to improve the Company's corporate and social value by responding to tumultuous changes in society and promoting ESG management.**

● Outside Director Noritaka Uji



— We conduct the evaluation of the Board of Directors every year. And for FY2021, we carried out an assessment by a third-party organization for the first time. Please provide your thoughts on the results of that assessment and the issues to address going forward.

Uji

The analysis of Board member questionnaires and in-depth interviews concluded that on the whole, the effectiveness of the Board of Directors is well ensured, and the level of effectiveness is high among Japanese companies. We received positive feedback about our corporate governance structure that the Board of Directors, the Nomination Committee, and the Compensation Committee are chaired by Outside Directors and that the Company has three female members on the Board. The Board was also evaluated favorably for its administration, agenda selection, and topics of discussion. Nevertheless, from a global point of view, I believe there are some points that need to be improved as the business environment changes further.

— What do you think are the roles and challenges of each of the Nomination Committee and Compensation Committee?

Kama

I was appointed Chairperson of the Nomination Committee in June 2022. So far, the committee has discussed a broad array of topics, such as the selection of Director candidates, the definition of personnel requirements for executives and officers, and the Company's skill matrix. I recognize the CEO succession plan, the composition of the Board of Directors, and the selection of Director candidates that possess the required skills based on our business strategies will be important topics to discuss this year. And taking into account the Company's global business expansion, I believe we need to discuss the appointment of directors from a broad perspective, and also consider the background diversity of corporate officers. We also recognize that further transparency of the committee's activities and timely reporting to the Board of Directors are issues to be considered.

Nohara

I assumed the role of Chairperson of the Compensation Committee in June 2022. The brilliant thing about the Company's Nomination Committee and Compensation Committee is that the Outside Directors who are members of both committees discuss the matters thoroughly and draw conclusions. They are also unique in the fact that both committees are attended by each different Outside Audit & Supervisory Board Member to ensure objectivity in how the committees are run. Also, the Compensation Committee spent about two years discussing the introduction of a new executive compensation system, a ratio of the composition of compensation, and level of compensation, among other topics, and revised the executive compensation system in 2021. Remuneration is currently being operated in accordance with the revised executive compensation system and this fiscal year. And we plan to confirm the evaluation results of annual performance-based bonuses and to discuss whether we should revise the non-financial indicators that we introduced for medium-term performance-based share compensation.



I want to have vigorous discussion about the enhancement of the global management structure, the promotion and innovation of DX, and human resource diversity, in particular, the empowerment of female employees.

● Outside Director Sawako Nohara

— What are issues for corporate governance in general?

**Uji**  
Given the results of the evaluation of the Board of Directors, there are three key measures for the Board to implement. The first one is working on priority issues to further strengthen the Board's oversight functions. It is important to have opportunities to more predominantly discuss long-term strategies, including DX (Digital Transformation) and ESG, and the Company's envisioned global expansion. Second, we need to create more opportunities to facilitate communication outside of Board meetings; for example, meetings between Directors and Audit & Supervisory Board Members and meetings attended only by the Outside Directors. And third, we want to discuss to optimize the composition of the Board. The current Board composition is equipped with the necessary skills represented in the skill matrix, but in an ever-changing business environment, we want to discuss what the best composition is going forward.

**Kama**  
With the aim of further strengthening the decision-making function of the Board of Directors with regard to long-term strategies, I would like to discuss at the Board and the Nomination Committee matters concerning the Company's global organization and personnel systems, the prerequisites of a global healthcare company.

**Nohara**  
As a member of the Board, I hope to soundly discuss the enhancement of the global management structure, the promotion and innovation of DX, and matters concerning diversity, in particular, the empowerment of female employees.

— In what way does the Board of Directors discuss sustainability-related agenda items and ESG management?

**Uji**  
Our Group's Purpose is to "Contribute to the enrichment of quality of life around the world." And to realize this Purpose, we had a lot

of deep discussions among the members of the Board of Directors. Then, we defined our 2030 Vision as an "Innovative Global Healthcare Company Contributing to the Sustainable Development of Society." The Board of Directors discusses the eight Materiality and the progress of KPIs and examines whether any changes need to be made in light of developments in society. We also provide advice to the Company's execution side if they encounter any difficulties. One example is that we set the targets for promoting the empowerment of women, incorporating Outside Directors' opinions.

**Kama**  
I think one considerable achievement realized through discussions at the Board of Directors was the clarification of our management philosophy, which has the Purpose at the top, followed by the Mission, the 2030 Vision, and then the Core Values as common values of the Group. I vividly remember that we discussed the business portfolio management, after corporate officers explained to us the current situation and issues on the topic, which clearly spelled out the near-term direction of the Company. Also, disclosure of non-financial information is growing increasingly important. We recognize that non-financial value is just as important as financial value and the Company is one of the first Japanese companies to incorporate non-financial indicators into its executive compensation system. That said, I think the disclosure of non-financial information needs to be improved and, with the understanding of investors, used to enhance the Company's corporate value.

**Nohara**  
The members of the Board also discuss how the Company can provide a wide range of healthcare solutions by collaborating with various stakeholders to leverage data and spark innovation. In addition to emphasizing patient centricity, the Board also feels that the Company can generate enormous value for society by offering healthcare-related services to people not currently receiving treatment.

I think the disclosure of non-financial information needs to be improved and, with the understanding of investors, used to enhance the Company's corporate value.

● Outside Director Kazuaki Kama



— What do you think is most important in order for the Group to achieve sustainable growth?

**Uji**  
Basically I think it all depends on whether or not the execution side of the Company is doing a great job, but as a Board of Directors overseeing business execution, it is important that we discuss whether the Company is not doing anything irrational from a societal point of view or whether there is a better way to approach certain issues. The opinions of the Outside Directors, based on our wealth of experience and skills, have been reflected in discussions about risk management, environmental issues, contributing to patients with a patient centric mindset, the empowerment of women, the promotion of DX, and many other topics.

— You just mentioned wealth of experience. In light of your own background, how do you think the Group's corporate value can be enhanced?

**Nohara**  
I believe promoting DX is key, and in order to further accelerate it, the Company must recruit and train specialists, develop environments for global data utilization, and create systems geared towards innovation. As for diversity, and in particular, the empowerment of women, a number of initiatives are currently being implemented, such as building networks for female managers and providing opportunities for communication with the management team. I want to provide support in determining how we can accelerate the appointment of females in managerial positions.

**Kama**  
Achieving the financial targets in the current 5-year business plan is paramount and I want to draw on my background in finance and accounting to keep a close eye on single-year performance toward FY2025. The Group's globalization is also important. The Company has already established a global business operation and global organizational structure, and we are working to develop a global workforce. Moving forward, I want to have in-depth discussions about the direction of the Company's globalization.

— Mr. Komatsu, you were appointed as an Outside Director in June 2022. Please tell us about the role you are expected to fulfill, your aspirations, and impressions of the Company.

**Komatsu**  
I was deeply impressed by reading last year's Value Report. In particular, I feel it is great that the entire Company is working to realize its Purpose of "contributing to the enrichment of quality of life around the world." In the 21st century, the purpose of medical science and healthcare has expanded beyond curing diseases to helping people live a better life. The development of medicines can provide relief not only to the patients who directly benefit from the drug, but also to healthy people who might suffer from the illness in the future. I specialize in medical science and public health. Medical science deals with individual patients, but in public health, there is a concept of socio-ecological model in which we capture the entire picture including individual patients, the people around them, their communities, and even public policy factors when



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● Outside Director Yasuhiro Komatsu

taking measures to prevent or treat diseases. At St. Luke's International Hospital and Gunma University Hospital, my knowledge and experience in public health has been useful in hospital management and the quality and safety control of medical care. I think the viewpoints of clinical governance, which is to create systems for diverse people and departments to organically collaborate and improve the quality and safety of healthcare, can be linked to corporate governance that enhances corporate value. I want to join and contribute to the discussion at Board meetings, leveraging my knowledge and experience in clinical practice, along with my perspective of viewing healthcare as a system.

— Lastly, we would like to ask the Chairperson to reflect on today's discussion.

**Uji**  
Today we mainly talked about the key points of corporate governance and sustainable growth for the Company, and I believe the role of Outside Directors will become increasingly important. While having a shared understanding of the management direction, including the Group's Purpose and 2030 Vision, we will deepen our multifaceted and high-quality discussions from a long-term point of view. The Board of Directors will also work to improve the Company's corporate and social value by harnessing our greatest strength of Science & Technology, responding to tumultuous changes in society, and promoting ESG management.