

# To realize our Purpose, we will engage in ESG management and contribute to the sustainability of society by solving social issues

Daiichi Sankyo Group will continue to provide society with a wide range of solutions to social issues that we are expected to address by leveraging our strengths in Science & Technology, the source of our Group's competitive advantage, and stepping up to the challenges across our entire value chain.

## Greetings

I would like to thank all of our stakeholders for your continued support and understanding of our Group's management. The world is now facing many challenges such as climate change and human rights abuses, as well as complex social issues involving energy and logistics, stemming from the COVID-19 pandemic and the Ukraine-Russia situation.

We hope that this Value Report will help our stakeholders understand how we are aiming to solve social issues and what kind of shared value we aim to create.

## Our Thoughts on Realizing our Purpose

Our Group's Purpose is to "Contribute to the enrichment of quality of life around the world." To realize this Purpose, we set our Mission to "create innovative pharmaceuticals addressing diverse medical needs," and have defined our Purpose and Mission as our Corporate Mission.

We have provided many in-house developed products to date. The common drive of our Group companies' employees to create new pharmaceutical products by leveraging our strengths in Science & Technology to help patients suffering from illnesses is the source of our commitment to realizing our Purpose.

## Creating a Society that Provides the Best Services tailored to Each Person

A society in which new value is created with "digital innovation" and "creativity of diverse people" is expected to emerge in the near future. In anticipation of this, we are working on developing "Healthcare as a Service"<sup>\*1</sup> to create a society that provides the best services tailored to each person by utilizing a variety of data and advanced technologies. To solve the challenges of each patient and consumer and to promote their well-being, we have begun collaborating with companies and organizations in the health and medical fields, data providers, and IT companies to build a total care ecosystem that covers health promotion, disease prevention, treatment, and prognosis care. We are also working on developing a total care platform that integrates decentralized health and medical data and connects them to individuals to facilitate the distribution and utilization of data. By leveraging the platform and the advanced data analysis functions we have cultivated over the years, we aim to identify the challenges of patients and consumers and tie them into creating new medical services, as well as to advance research and development (R&D) for our modalities<sup>\*2</sup>. Through these efforts, we aim to achieve total care and create new value for society (e.g., promoting innovation, reducing social security costs, optimizing medical resources, improving access to medical care, securing talents, extending healthy life expectancy, and economic development). We will play a leading role in building this total care ecosystem and platform, and strive to contribute to the creation of a sustainable society.

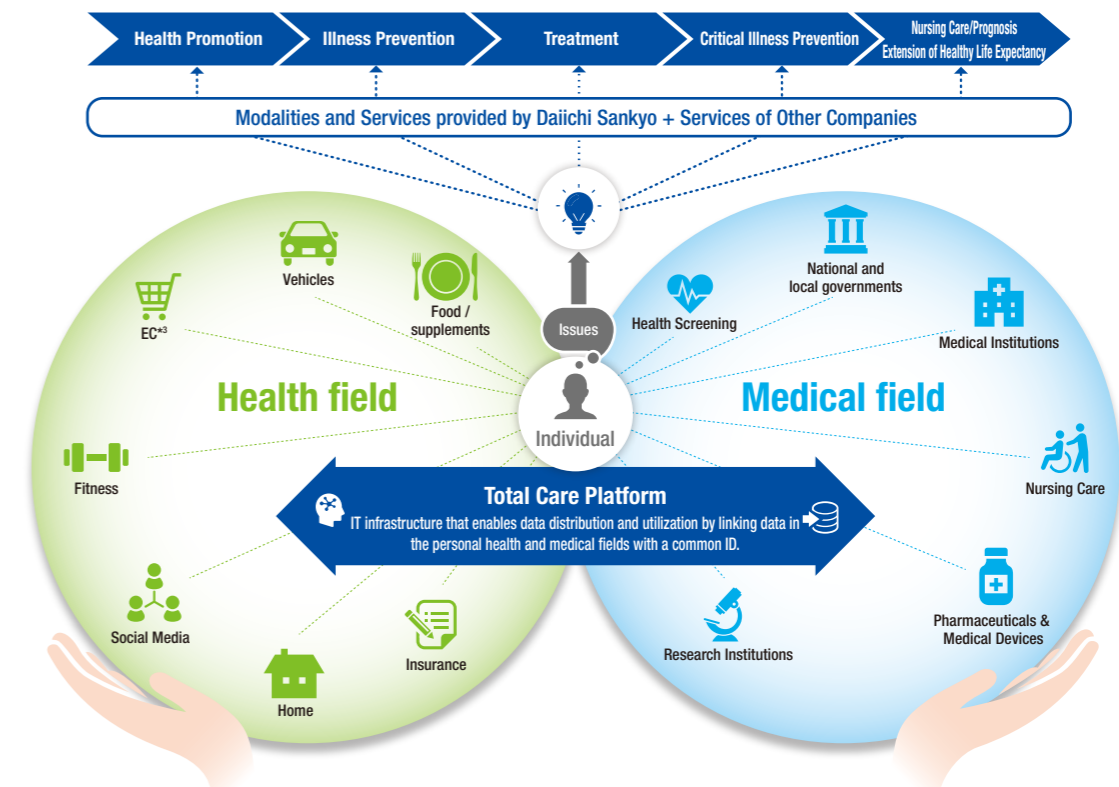
<sup>\*1</sup> Healthcare as a Service: Refers to the process of providing the best services tailored to each person by leveraging a wide variety of data and advanced technologies.

<sup>\*2</sup> Drugs include small molecules, antibodies, and other types of drug molecules, collectively called modalities.



**Sunao Manabe**  
Representative Director,  
President and CEO

### Total Care Ecosystem



<sup>\*3</sup> Electronic Commerce

## Value Creation Process and ESG Management

Since it takes many years to create innovative pharmaceuticals, it is important to take a long-term perspective in order to maintain the value creation cycle in a drug discovery business model. Our Value Creation Process illustrates in a diagram how we create value and provide it to society to realize our Purpose. Society has diverse demands and expectations for our Group, such as responding to unmet medical needs, engaging in corporate management with high ethical standards as a healthcare company, addressing global environmental issues, and promoting ESG initiatives. Taking this into consideration, we must respond sincerely and firmly to the unique requirements of each country and region in the course of our global business activities. With our strengths in Science & Technology as a source of competitive advantage, we provide patients and consumers with innovative pharmaceuticals, generic drugs, vaccines, and consumer healthcare products by investing in human, intellectual, and other critical capital in our value chain activities, including R&D, production, and sales and marketing. At the same time, we are addressing social issues such as environmental problems, diversity, and human rights through our business activities. In this way, we believe that we can achieve sustainable growth for both our company and society by providing patients, stakeholders, and society with the social and economic value that we create through our overall business activities, and then reinvesting this value as capital to create a continuous cycle. Furthermore, we have identified key issues that we must address for sustainable growth as Materiality.

For the value creation process, refer to [▶ P. 15](#)

For human and intellectual capital, refer to [▶ P. 17](#)

Our 2030 Vision is to become an “Innovative Global Healthcare Company Contributing to the Sustainable Development of Society.” We aim to be a company that continues to take on the challenge of providing innovative solutions through our value creation process rooted in our strengths in Science & Technology, in order to solve the social issues that people expect us to solve, such as creating innovative pharmaceuticals and promoting SDGs (Sustainable Development Goals) initiatives.

To flexibly respond to new social issues and changes in the social environment, such as the increasingly serious climate change issues as well as the associated health risks and unexpected outbreaks

of diseases, it is essential to take an ESG approach to incorporate the external environment into management strategies. The ESG management that we promote in the Daiichi Sankyo Group involves “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 this long-term focused management translates into sustainable growth of both our company and society. We will continue to promote ESG management to meet the expectations of our stakeholders, looking 10 years ahead and beyond.

## Setting the Materiality KPI and Managing Progress

We have taken ESG factors into consideration and identified material issues that must be addressed to achieve sustainable growth from two perspectives: the level of importance based on their impact on the Group’s mid-to-long-term corporate value, and the expectations from society, including various stakeholders. We have organized the eight material issues identified into “Materiality on Business” and “Materiality on Business Foundations,” established long-term targets, and set KPI targets that tie into our current 5-year business plan (FY2021-FY2025).

In materiality management, it is important to monitor changes in the external environment and the demands of society in a timely manner, and we use the knowledge gained through constructive dialogue with internal and external stakeholders to add materiality and improve and review KPIs as necessary.

In FY2021, we confirmed our progress on KPI targets by using our performance evaluation and target management system as well as through various committees, and exchanged opinions among the members of the Board of Directors on the improvement and review of KPIs in light of stakeholder opinions, analysis on ESG evaluations, demands from society, and changes in the business environment. Based on the exchange of opinions and in light of domestic and international circumstances, trends, and rising societal demands, we revised our KPI targets for CO<sub>2</sub> emissions reduction and renewable electricity utilization rate to be more aggressive (1.5°C target), and also newly set human rights initiatives and KPI targets at the Executive Management Committee and Board of Directors held in June 2022. Many stakeholders have commented on the need for establishing metrics to gauge contribution to patients. The Board of Directors is

keenly aware of this need, and is currently working to establish relevant KPIs for FY2023.

With respect to key KPIs in FY2021, we achieved progress in line with our KPI targets for FY2025.

For Materiality, refer to [▶ P. 25](#)

## Progress of the Current 5-year Business Plan (FY2021-FY2025)

In April 2021, we announced our 2030 Vision and current 5-year business plan. We have positioned our current 5-year business plan as a way to shift to further growth to realize our 2030 Vision of becoming an “Innovative Global Healthcare Company Contributing to the Sustainable Development of Society” by achieving our FY2025 target of becoming a “Global Pharma Innovator with Competitive Advantage in Oncology.”

### Strategic Pillar 1: Maximize 3ADCs

Maximizing 3ADCs is the highest-priority issue in our current 5-year business plan.

Global revenue from *Enhertu*<sup>®</sup> is steadily rising, reaching ¥80.8 billion in FY2021 thanks to market penetration and expansion of product sales in the countries and regions where we have launched the product, and we are aiming to double this figure in Japanese yen in FY2022. In addition, we acquired data showing unprecedented improvement in progression-free survival in the DESTINY-Breast03 study for the second-line treatment of HER2-positive breast cancer patients. We filed for approval in Japan, the United States, Europe, China, and other countries, and received approval in the US in May 2022. The DESTINY-Breast04 study for HER2 low breast cancer patients previously treated with chemotherapy also showed positive results, leading to maximization of the product value. In August 2022, we obtained an approval for HER2 low breast cancer in the U.S. through a priority review under the FDA’s Breakthrough Therapy Designation. This is the first ever HER2 directed medicine to be approved for the treatment of patients with HER2 low breast cancer. For *Dato-DXd* and *HER3-DXd*, we accelerated development, as we believe it is important to enter the market as early as possible. We will continue to make

effective development investments in 3ADCs to achieve dramatic growth in the second half of our current 5-year business plan, while steadily promoting initiatives including establishing stable supply of top-quality investigational drugs and commercial products to realize the maximization of 3ADCs.

### Strategic Pillar 2: Profit Growth for Current Business and Products

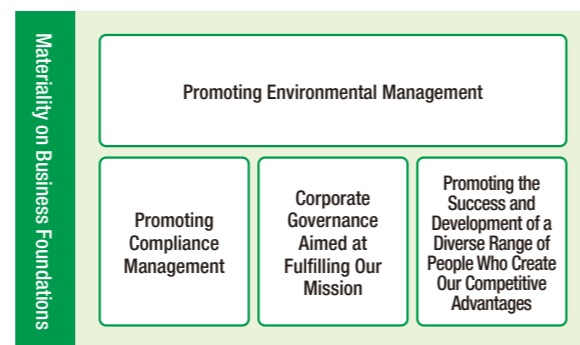
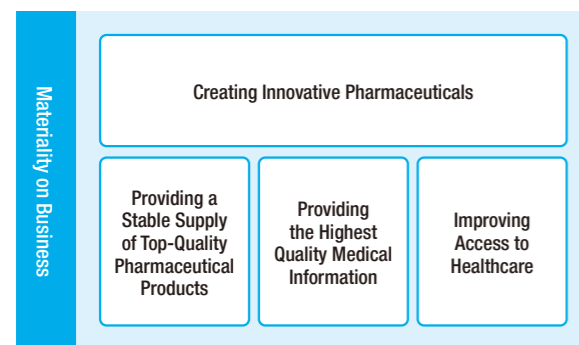
Profit growth for existing businesses and products is an important priority for us to continue investing in sustainable growth. Sales of *Lixiana*, a highly profitable and stable profit generator, continues to expand steadily in Europe and Japan, as well as the ASCA areas covering Asia and South & Central America, thanks to its inclusion on the national list of medical insurance reimbursement pharmaceuticals in China. In FY2021, global *Lixiana* sales surpassed our target of ¥200 billion and continues to expand. We are currently conducting clinical trials for *Nilemdo*<sup>®</sup> and *Nustendi*<sup>®</sup>, which we launched in Europe last year, with the aim of expanding their indications to include the suppression of cardiac events in Europe, and we are hopeful that the trials will yield positive results. We are also aiming to quickly expand sales of our prophylaxis of migraine attacks *Emgality*<sup>®</sup> and migraine treatment *Reyvow*<sup>®</sup> in Japan by leveraging their product strengths. In this way, we will also aim for continuous growth in our new drugs business outside of oncology.

### Strategic Pillar 3: Identify and Build Pillars for Further Growth

Identifying the next growth drivers following 3ADCs and selecting the post-DXd-ADC modality through a multi-modality research strategy are also important priorities in order to achieve sustainable growth.

Among the various modality technologies, we will select the post-DXd-ADC modalities that will enable our sustainable growth. In addition, we will utilize LNP-mRNA for vaccines against diseases other than COVID-19 to grow our vaccine business. For *DS-7300* and *DS-6000*, both of which have started clinical trials, we have confirmed early efficacy signals in Phase 1 and will push forward with development, positioning them as our “Rising Stars” with potential to be the next growth drivers following 3ADCs.

### Eight Materiality Identified



- As of FY2020
- Oncology business launched
  - *Edoxaban* growing
  - Regional value being enhanced
  - AstraZeneca strategic alliance
  - Increased R&D investment



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

**Strategic Pillar 4: Create Shared Value with Stakeholders**

Creating shared value with stakeholders such as patients, shareholders and investors, society and the environment, and employees is also an important priority in promoting ESG management from a long-term perspective.

In terms of creating shared value with patients, we will contribute to patients by placing the patient centric mindset at the core of all of our activities. Creating shared value with patients by providing new drugs and information that is highly needed by society is the reason behind our Group's existence in society. Patient centricity will become even more important in our pipeline as the mix of oncology drugs increases. We have been promoting COMPASS activities\* for some time, and we further strengthened our patient centric mindset, in which we attend to the feelings of patients by being mindful of them in our daily work, by sharing the details of these activities with all employees in Japan in FY2021. We will incorporate the voices of patients and their families throughout the value chain, such as in developing new drug formulations that are more patient-oriented and in providing safety information that is easier to understand and access.

\* Activities based on our slogan, "Compassion for Patients," aimed to contribute to realizing "life with a smile" around the world, by providing opportunities for all the Group employees to understand the lives, difficulties, and hopes of patients and think about what we can do.

For the initiatives toward Patient Centricity, refer to

▶ P. 39

As for creating shared value with our shareholders and investors, we held an ESG briefing to explain our business model built on our strengths in Science & Technology, as well as ESG management, to investors for the first time last year. We will continue to work on improving our business based on the valuable feedback we received on improving access to healthcare, promoting professional development for women, and leveraging DX (Digital Transformation) strategically. In addition, we will strive to achieve well-balanced investment in growth and shareholder returns in order to sustainably enhance our corporate value.

With regard to society, we will create shared value by engaging in dialogue with various stakeholders to gain a deeper understanding of the social issues that we must address. We will contribute to society and the environment by promoting various initiatives to reduce environmental impact throughout our value chain spanning from R&D to sales and marketing. In FY2021, we joined the RE100 international initiative, which aims to achieve 100% renewable energy for electricity consumed in business activities. In addition to providing a stable supply of seasonal flu and other vaccines from our own production sites during normal times, we will contribute to society by establishing technologies that can be applied to COVID-19 as well as to vaccines for future emerging and re-emerging infectious diseases, and by developing a vaccine supply system for future pandemics.

As for creating shared value with employees, about 200 global leaders, including myself as CEO, have been discussing the importance of cultural transformation, building the ability to drive transformation, and understanding and practicing our three Core Behaviors. By having our global leaders act as role models in practicing Core Behavior and fostering the One DS Culture, and having each and every employee implement the Core Behavior, we will create a work environment where diverse range of talents with various values are highly engaged and can maximize their potential.

**Platform for Supporting Strategy Execution**

As a platform to support the implementation of these four strategies, we have launched "Project 4D (Daiichi Sankyo Data-Driven Decision Making)" to establish data-driven management, and are revamping our ERP (Enterprise Resources Planning) system to standardize and centrally maintain management information at a global level. In addition, from the value chain perspective, we have created a mass-computing environment that enables us to leverage Artificial Intelligence (AI) for compound design and image analysis based on data analytics and predictions to accelerate drug discovery activities. Furthermore, we

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are making progress in introducing, deploying, and stably operating various advanced technologies that support corporate activities, such as expanding data analysis functions for appropriate and prompt quality and safety management through a company-wide data analysis infrastructure, and introducing digital communication tools to provide information to healthcare professionals. We will continue to accelerate internal transformation by utilizing data and digital technology, the two pillars of DX initiatives.

5-year business plan targets.

Furthermore, in FY2021, we worked to thoroughly raise awareness and understanding on our value creation process, ESG management, 2030 Vision, and current 5-year business plan to all Group employees. Amid the COVID-19 pandemic, we held a total of 13 CEO Town Hall Meetings (7 in Japan and 6 overseas) by effectively leveraging our online meeting system.

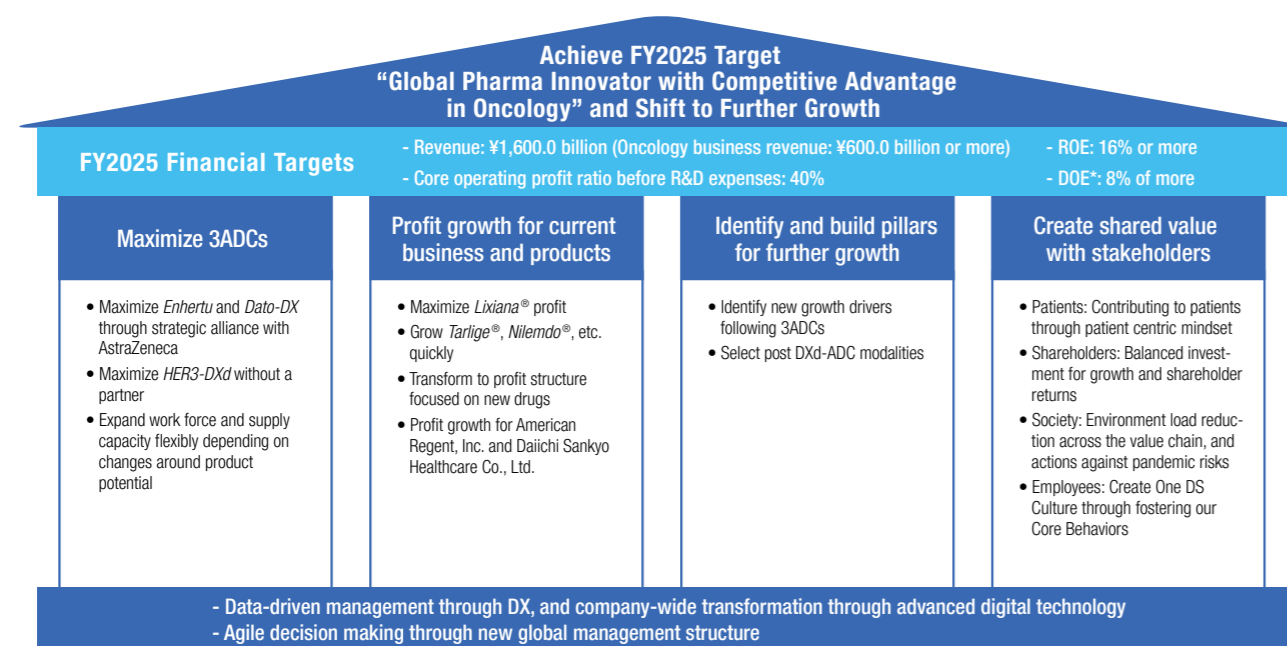
**In Closing**

The social and business environment surrounding our Group is in a constant state of change. Going forward, we will continue to respond to the diverse demands and expectations from society. At the same time, we will identify further growth drivers to follow ADCs, while taking into account technological innovation trends such as DX, to realize our 2030 Vision. We will also further our discussions on clarifying the link between modality, which is our new growth driver, and materiality, while also creating shared values with our stakeholders, including patients. We will welcome the frank opinions and suggestions of our stakeholders, and work together as a company to realize our Purpose.

**Smooth Start for the First Fiscal Year of the Current 5-year Business Plan (FY2021-FY2025)**

Our financial target for FY2025, the final fiscal year of the current 5-year business plan, is ¥1.6 trillion in revenue, including ¥600 billion or more in revenue from the oncology field.

In FY2021, the first fiscal year of our current 5-year business plan, we enjoyed a good start with both revenue and core operating profit expanding to ¥1,044.9 billion and ¥90.6 billion, respectively. This was aided by the spread of appropriate use of *Enhertu*, growth of major products such as *Lixiana* and *Injectafer*, as well as effective use of expenses. Our biggest accomplishment was the results of two phase 3 studies for *Enhertu*, which will transform us into a major global leader in the oncology field by transforming the treatment of breast cancer patients. This has given us great confidence in achieving our current



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