

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"^{*1} 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^{*2}. 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.

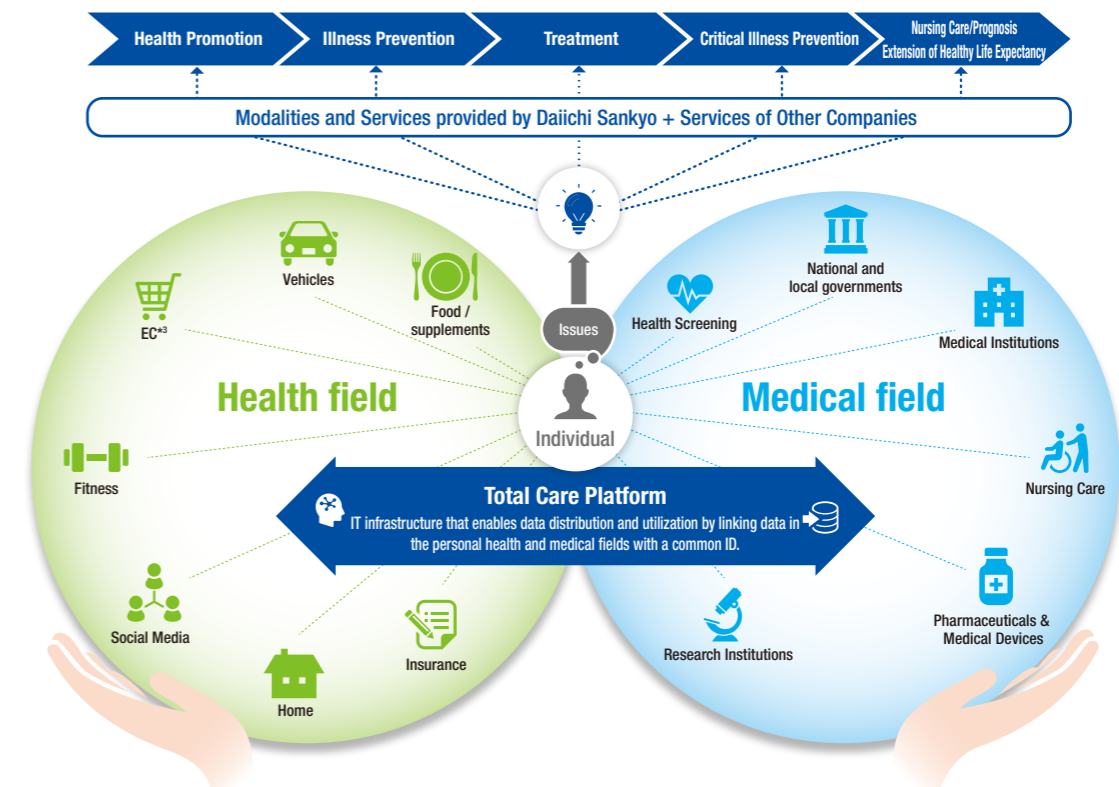
^{*1} Healthcare as a Service: Refers to the process of providing the best services tailored to each person by leveraging a wide variety of data and advanced technologies.

^{*2} Drugs include small molecules, antibodies, and other types of drug molecules, collectively called modalities.



Sunao Manabe
Representative Director,
President and CEO

Total Care Ecosystem



^{*3} 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 CO₂ 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*[®] 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

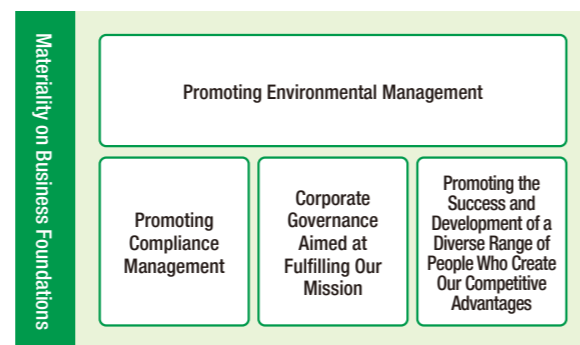
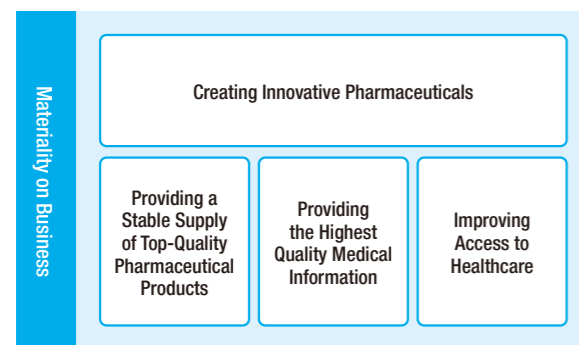
Profit growth for existing businesses and products is an important priority for us to continue investing in sustainable growth. Sales of *Lixiana*, a highly profitable and stable profit generator, continues to expand steadily in Europe and Japan, as well as the ASCA areas covering Asia and South & Central 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*[®] and *Nustendi*[®], 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*[®] and migraine treatment *Reyvow*[®] 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



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

- 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

The results of two phase 3 studies for *Enhertu*, which will transform the treatment of breast cancer patients have given us great confidence in achieving our current 5-year business plan targets.



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.

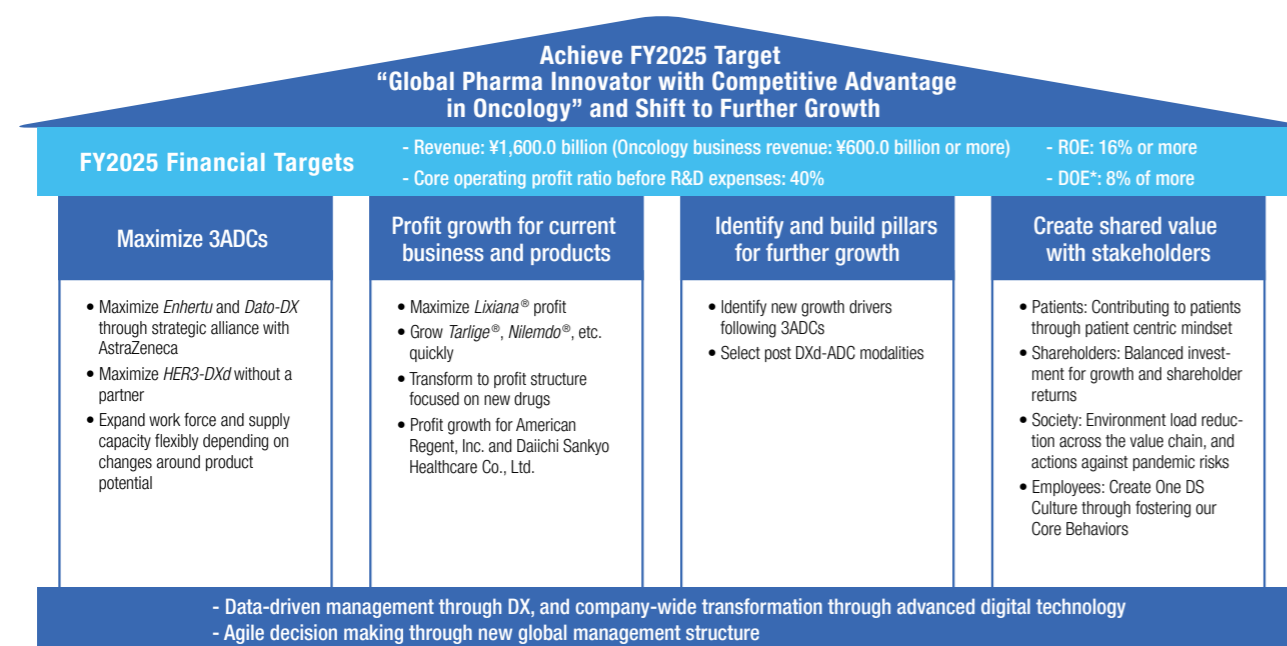
In Closing

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

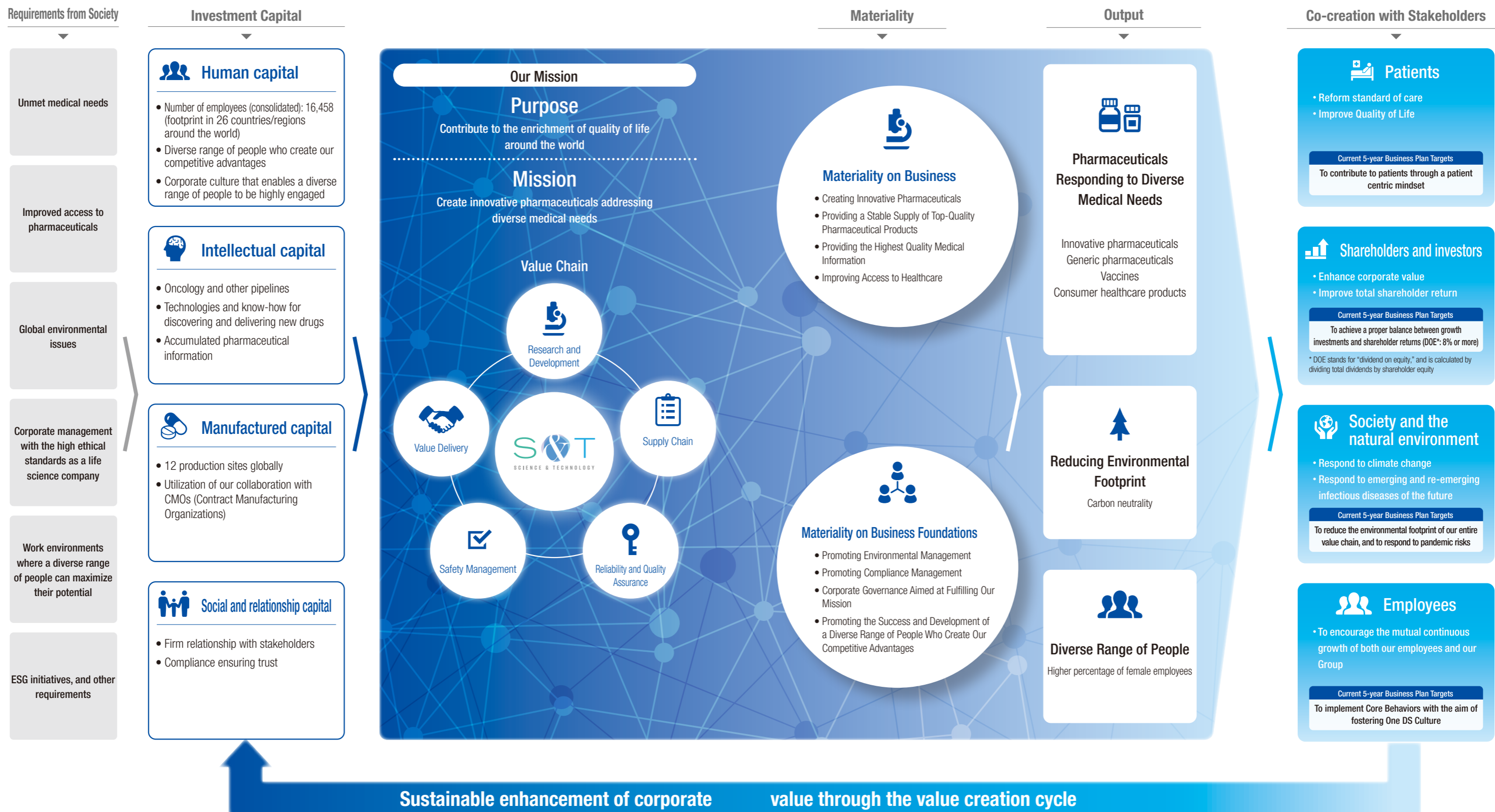


* DOE: Dividend on Equity = Total dividend amount / Equity attributable to owners of the Company

Create Shared Value with our Stakeholders to Realize Sustainable Value Creation

As a global pharmaceutical company, the Daiichi Sankyo Group is uniquely positioned to address diverse social needs, including unmet medical needs. We endeavor to meet such needs throughout our entire value chain, by investing our human and intellectual capital, and by leveraging our excellence in Science & Technology—the source of our competitive advantages. We provide patients and other stakeholders

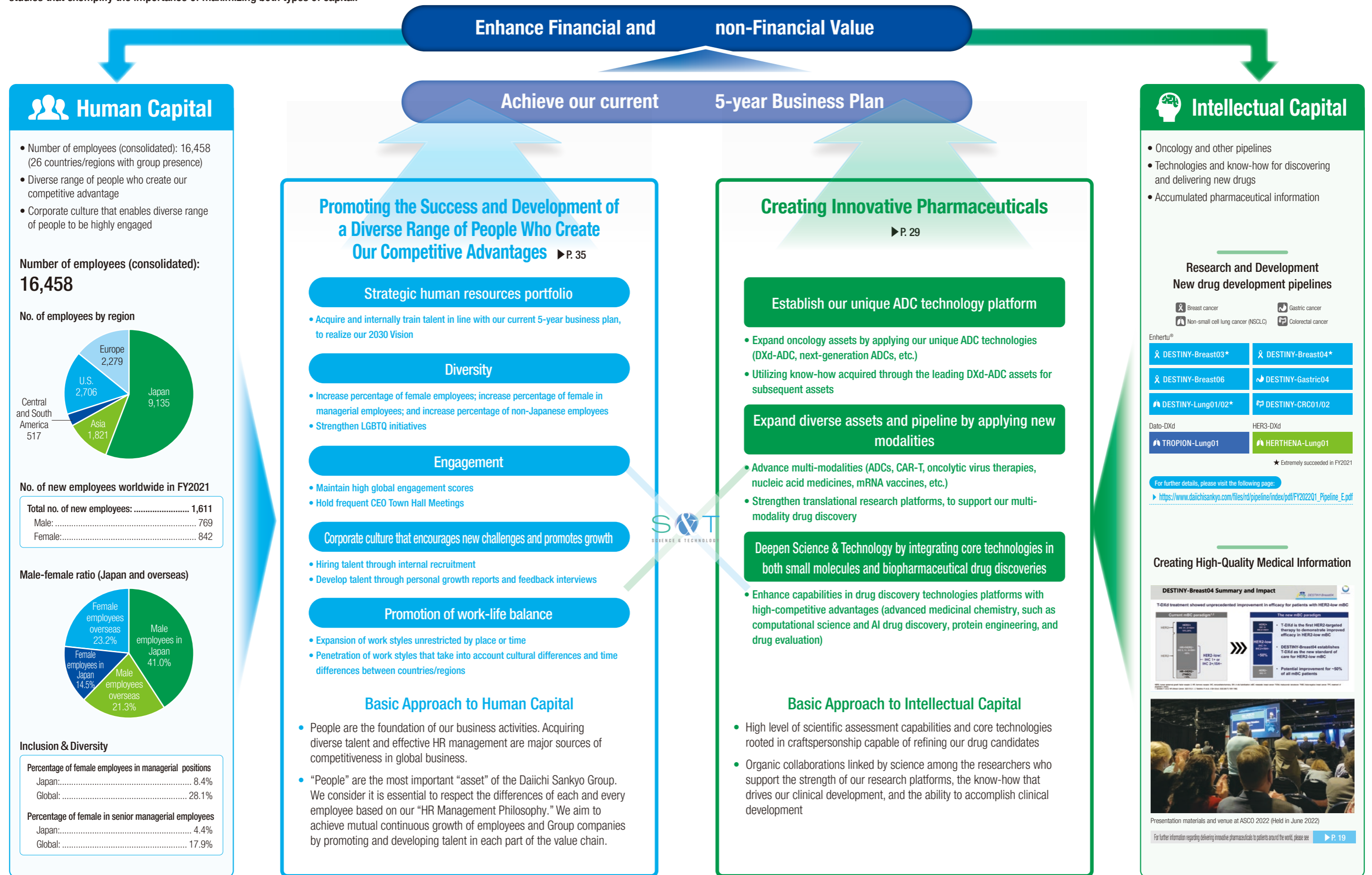
with social and economic value through pharmaceuticals that meet various medical needs, through reductions in our environmental footprint, and through the activities of our diverse range of people. Creating value with our stakeholders allows us to build a sustainable cycle of value creation, through which we aim to continually enhance our corporate value and contribute to the sustainable growth of society.



Business Model Driven by Human and Intellectual Capital

Human and intellectual capital are the driving forces behind the evolution of the business models of the Daiichi Sankyo Group, leveraging studies that exemplify the importance of maximizing both types of capital.

Science & Technology for sustainable value creation. This section describes our fundamental approach, as well as the themes and case studies that exemplify the importance of maximizing both types of capital.



Delivering Innovative Pharmaceuticals to Patients around the World

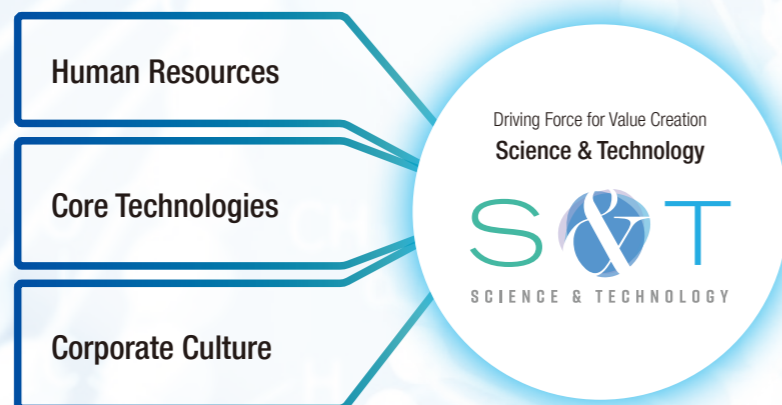
We have provided many patients around the world with innovative products created in-house by combining our strengths in Science & Technology, the source of our value creation, to realize our Purpose: “Contribute to the enrichment of quality of life around the world.”

In this section, we will introduce our strengths in Science & Technology and our concerted efforts throughout the value chain to deliver *Enhertu*[®], the culmination of our efforts, to patients around the world.

Our strengths Science & Technology (S&T)

The greatest strength of our Group is Science & Technology (S&T), which combines our human resources core technologies, and corporate culture. We have continuously created innovative pharmaceuticals based on the technologies and experience that we have cultivated over many years as a drug discovery-oriented pharmaceutical company based on our highly specialized human resources with high level of scientific assessment capabilities and our free and open corporate

culture. Moreover, the passion that our researchers pour into drug discovery, their perseverance of not giving up nor being afraid of failure and their willingness to keep challenging themselves by believing in innovation are the driving force behind our ability to create innovative new drugs. We believe it is essential to pursue cutting-edge science and further strengthen S&T in order to continue to create pharmaceuticals.



Our Pipeline

Drawing on our strengths in S&T, we have built a substantial R&D pipeline in a variety of therapeutic areas, including oncology, based on our “3 and Alpha” strategy (see Materiality ▶ P.29). 3ADCs that we have developed using our proprietary DXd-ADC technology, anti-cancer agent *Enhertu* (development code: *DS-8201*), *Dato-Dxd* (development code: *DS-1062*), and *HER3-DXd*, have been highly praised internationally and have won the World ADC Award for the “Most Promising Clinical Candidate” for three consecutive years. In addition,

we have confirmed efficacy signals of *DS-7300* and *DS-6000*, which incorporate DXd-ADC technology, in early clinical trials, and we are developing them as “Rising Stars” to make them into the next growth driver following 3ADCs. In the non-oncology disease area, we are also making progress in expanding indications for *Lixiana*[®], *Eflent*[®], and *Tarlige*[®], which have supported our recent growth. We will continue to further strengthen our Group’s unique pipeline to provide optimal treatment options for patients with unmet medical needs.

For details, click below:

▶ https://www.daiichisankyo.com/files/rd/pipeline/index/pdf/FY2022Q1_Pipeline_E.pdf

Business Innovations Driven by New Drugs

The innovation resulting from the new drugs created through our strengths in S&T is not limited to research, but also drives further innovation and new opportunities throughout each function of the value chain and the business as a whole.

For example, in order to maximize product value by accelerating the pace of development of *Enhertu* and *Dato-DXd*, we are collaborating with AstraZeneca, a company with a strong presence in oncology, to cultivate new experience and expertise in conducting clinical trials, filing applications, and supplying investigational drugs on a global scale. In addition, we are taking various new initiatives under our global safety management system to ensure strict side effect management. In countries and regions where our products, including *Enhertu*, are not yet approved, we are taking new initiatives through the Expanded Access Program (EAP) to ensure access to patients in need of treatment in accordance with local regulations.

In addition, manufacturing biopharmaceuticals is a new challenge for

our Group, as our mainstay products have been small molecule drugs. In order to make the manufacturing of biopharmaceuticals such as ADCs more efficient, we have established proprietary technologies for each process of cell creation, cultivation, and purification. Furthermore, we are refining our cell and gene technologies with the aim of creating next generation modalities. As for our supply chain, we are actively working to build a more robust production and supply system for biopharmaceuticals by expanding facilities at domestic and overseas plants, strategically utilizing contract manufacturing organizations (CMOs), and training and acquiring highly specialized biotech talents. At the same time, we are also focusing on promoting a new “smart supply chain” that leverages digital technology in all aspects of our operations and visualizes and integrates data. Going forward, we aim to build a process that enables continuous innovation through a series of company-wide advancements.

Our S&T strengths demonstrated in *DS-5670*



Katsuyasu Ishida
Clinical Development Department
III, Development Function, R&D
Division

Three years have passed since the outbreak of COVID-19, an infectious disease caused by SARS-CoV-2, and the pandemic is still ongoing worldwide. At Daiichi Sankyo Group, we have been continuing research on LNP-mRNA vaccines, and in April 2020, we established the *DS-5670* Global Project Team (GPT) with the aim of promptly developing a SARS-CoV-2 vaccine in response to the COVID-19 pandemic to join the fight to contain the pandemic. In addition, the Japanese government also had high expectations for vaccine development of our Group, as we have an integrated system for research, development, manufacturing, and marketing in Japan.

The GPT began preparations with the goal of conducting a First in Human (FIH) trial as quickly as possible, even though the vaccine antigens had not yet been determined. We were able to take the multi-year process to begin clinical trials — which involves screening antigens, developing a manufacturing process, then conducting

the required non-clinical studies once the antigens are determined while simultaneously manufacturing the investigational drug to be used in the clinical trials — and shorten it to just one year. This is a good example of how we leveraged our strengths in S&T.

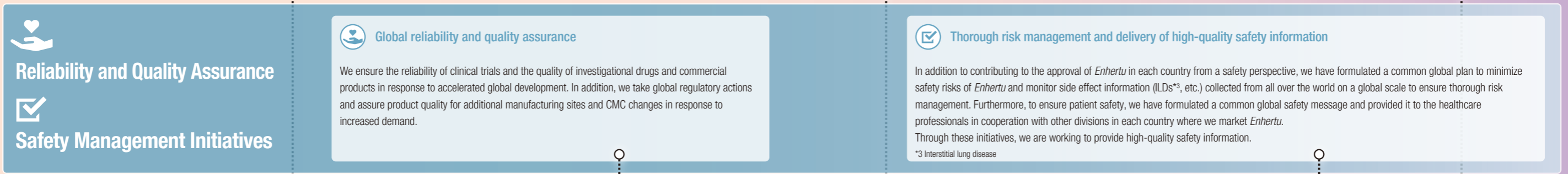
We are currently conducting the final stage of clinical trials for commercialization. GPT and every member involved in our Group are working together to promote R&D while flexibly responding to major changes in the external environment over the past three years (repeated increases and decreases in the number of infection, changes in vaccination rates, etc.). We are also working to establish manufacturing processes, manufacture investigational drugs, and establish a commercial production system to support these processes safely at the fastest pace. We hope *DS-5670* will be a vaccine that will help end the pandemic.

Our New Challenges in the Value Chain to Maximize the Value of *Enhertu*

Enhertu is the first drug we developed using our proprietary ADC technology, which leverages our strengths in S&T, and addresses substantial unmet medical needs within breast and gastric cancers. *Enhertu* is the embodiment of our strengths in S&T, demonstrating our

scientific assessment capabilities and our technological capabilities to refine drugs. We are working to maximize the value of *Enhertu* by collaborating across organizational boundaries and making a concerted effort throughout the value chain to bring the drug to market quickly,

driven by our strong commitment to delivering new treatments to as many patients as possible as quickly as possible. In addition, through the use of new digital technologies, we will innovate the processes of value chain functions to strengthen the competitiveness of our overall business.



Purpose

Contribute to the enrichment of quality of life around the world

Delivering 3ADCs to Patients around the World, starting with *Enhertu*

Most aspects of the oncology field change rapidly from diagnosis to standards of care (the established and most widely used current medical practices), and this therapeutic area will continually evolve at a fast pace. Our Oncology Business Unit (OBU) has challenged itself to transform treatment for a variety of cancers. We take proactive action to continually deepen our knowledge of the journey patients and their providers take from diagnosis through treatment and beyond so that we can provide optimal solutions to diverse medical needs as quickly as possible.

We aim to increase the number of countries and regions in which we market *Enhertu*, and with expanded indications including breast and

lung cancer, while also striving to obtain additional approvals for 3ADCs. We are also working on products in other oncology fields with the goal of establishing them as new standards of care.

Furthermore, with this goal of developing new standards of care, and to ensure our innovative pharmaceuticals could reach as many patients as possible in the shortest possible time, we entered into a global collaboration with AstraZeneca for the joint development and commercialization of two of our lead ADC products, *Enhertu* and *Dato-DXd*. We are now creating a streamlined and effective organizational structure and building expertise to ensure we can optimize other promising product candidates in our pipeline following the ADCs.

DX Initiatives for Maximizing Product Value and Creating New Value

Following *Enhertu*'s designation in Japan's cost-effectiveness evaluation system in FY2020, we conducted a cost-effectiveness analysis using Real World Evidence (RWE)*1. This is the first cost-effectiveness analysis using RWE in Japan, and there are not many examples in other countries either. Creating reliable RWE requires bringing together data science expertise. We were able to leverage RWE by bringing together data science expertise under our DX promotion structure across our entire company. In Japan, we are also working to develop not only

drugs but also DTx*2, which promotes well-being by bridging the gaps in patient care, including when patients are at home. Going forward, we will continue to maximize product value and create new value by combining the wisdom we have accumulated as a pharmaceutical company in the field of data analysis together with digital technology.

*1 Clinical evidence derived from analysis of real-world data (data relating to patient health status and/or health care routinely collected from a variety of sources)
 *2 Software that performs medical interventions (treatment, management, prevention) directly to patients based on evidence of usefulness

Expanded indications

HER2 positive breast cancer second and third line treatment
 HER2 positive gastric cancer second and third line treatment
 HER2 positive non-small cell lung cancer second line treatment
 HER2 low breast cancer (post-chemotherapy)

(Approved indications as of August 31, 2022)

Number of patients treated
 Appx. **8,000** patients

(As of March 31, 2022)

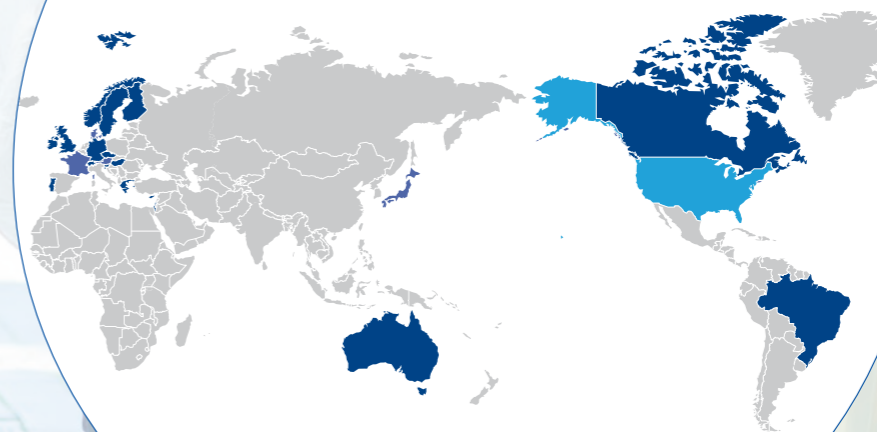
Number of trials conducted

30

(As of July 31, 2022)

Expanded number of countries and regions marketed

FY2019 FY2020 FY2021



Mission to deliver our oncology medicines to patients around the world



Ken Keller
 Head of Oncology Business Unit

The Oncology Business Unit (OBU) is committed to achieving our 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 devoted to people with cancer.

Our OBU will accelerate our decision making and increase our agility to respond to the rapid changes we see in standards of care, treatment and diagnoses patterns, and payer dynamics. 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.

Contributing to improving the lives of people all over the world requires us to work collaboratively within the OBU as well as across the organization to deliver on Daiichi Sankyo's global ambition to bring innovative pharmaceuticals to patients, customers and society overall.

“Putting patients at the center of our efforts is critical. We will continually collaborate with patient groups, physicians, pharmacists, and insurers to provide the best possible support to our patients with the desire to leave no patient behind.”

Combining the Collective Strengths of the Daiichi Sankyo Group

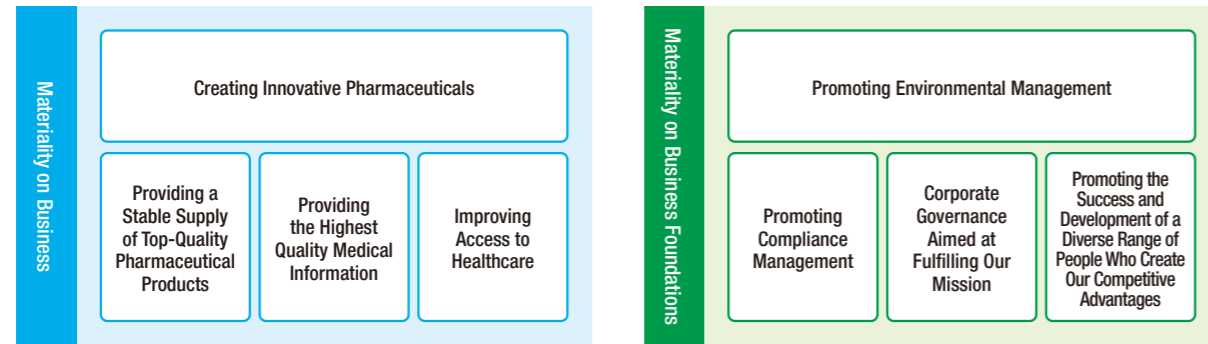
Our realization that we are delivering innovative pharmaceuticals to as many patients as possible is shared throughout the company and is the driving force behind our transformation for the future. Going forward, we will continue to further enhance our strength in Science &

Technology, and will maximize the value of *Enhertu* and other advanced pharmaceuticals to quickly provide treatment options and deliver innovations that create new value for patients.

Materiality

We identified eight material issues to be addressed to sustain growth, based on the impact on the Group's mid-to-long-term corporate value enhancement and expectations from society. We set Materiality key performance indicators (KPIs) based on the material issues sorted into two groups: materiality on business and materiality on business foundations.

Eight Materiality Identified



Reasons for Selecting Materiality

Creating Innovative Pharmaceuticals	Continuously creating innovative pharmaceutical products by leveraging our strengths (Science & Technology) to contribute to the enrichment of quality of life around the world is the foundation of our value creation. We will reinvest profits earned through our business into R&D to continuously create new pharmaceutical products that meet medical needs and deliver them to the medical community. 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.
Providing a Stable Supply of Top-Quality Pharmaceutical Products	As the impact of natural disasters and political risks on supply chains is expanding globally, 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 will establish a global production and supply system by implementing appropriate capital investments.
Providing the Highest Quality Medical Information	Healthcare professionals can use pharmaceuticals with confidence in treating patients and solving medical issues (and through this, social issues) only when there is highly reliable information on the safety and efficacy of the pharmaceutical products. As we deliver products in multiple fields, we will strive to 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.
Improving Access to Healthcare	We will strive to expand access to healthcare by promoting the Daiichi Sankyo Group Policy on Access to Healthcare among our employees and by collaborating with stakeholders, including governments, payers, and alliance partners. In the mid-term, we will expand our oncology products globally by leveraging our collaboration with AstraZeneca. We will also contribute to solving social issues, such as COVID-19, by utilizing our business foundation and cooperating with external organizations.
Promoting Environmental Management	The impact of climate change and marine plastics pollution on sustainability is becoming increasingly apparent, and environmental issues are becoming a challenge that the world, including businesses, must work together to address. In the mid-term, we will implement environmental measures throughout the value chain to reduce the environmental impact of our business activities and to achieve a sustainable society, in light of concerns about the stable supply of pharmaceutical products due to climate-related disasters.
Promoting Compliance Management	Since pharmaceutical companies handle products that affect human lives, we are required to meet a strict sense of legal compliance and high ethical standards. To be trusted by society and to realize our Purpose, we promote compliance management across the entire Group so that each and every employee can work with integrity in their daily activities. In the mid-term, we will further strengthen the foundation of our global governance structure and compliance promotion activities to reduce compliance risks.
Corporate Governance Aimed at Fulfilling Our Mission	In an ever-changing external environment, a highly transparent and effective corporate governance system is essential to achieve the sustainable growth of a company and to enhance mid-to-long-term corporate value. We will strive to continuously enhance our corporate value by establishing and operating a corporate governance system embedded with both management structure that can speedily and flexibly respond to changes in the business environment and make decisive decisions swiftly, and a supervisory function for management and execution.
Promoting the Success and Development of a Diverse Range of People Who Create Our Competitive Advantages	We believe that our "people" are the most important "asset," and we will promote the acquisition of a diverse range of talents and effective human resource management as a source of competitiveness as we develop our business globally. In the mid-term, we will respect the diversity of each and every employee based on our HR Management Philosophy, and aim for mutual sustainable growth of our employees and the company by advancing and training human resources in each area of the value chain.

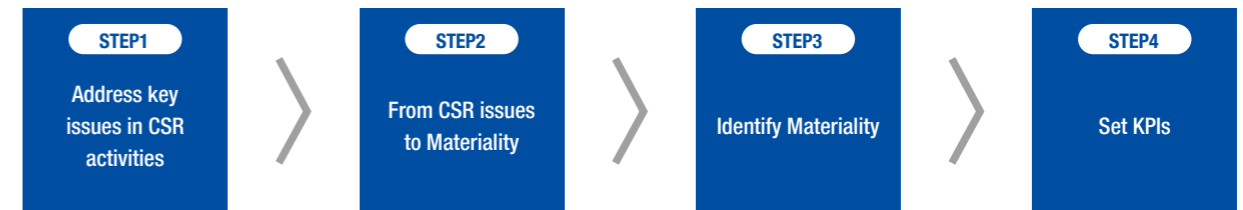
* Standard of Care. Universally applied best treatment practice in today's medical science

Materiality Identification Process and KPIs Setting Process

In identifying and sorting material issues, 36 issues were selected from the corporate social responsibility (CSR) perspective in FY2015. In March 2020, we identified eight material issues as mid-to-long-term initiatives and challenges based on their impact on the Group's mid-to-long-term corporate value and expectations from society and our various stakeholders. After several discussions at the Executive Management

Committee and Board of Directors, the establishment of KPIs, indicators of initiatives for each Materiality linked to the current 5-year business plan (FY2021–FY2025), was approved by the Board of Directors in March 2021 and announced in April 2021.

Steps for Identifying Materiality and Setting Materiality KPIs



- Extract 36 CSR issues (FY2015)
- Narrow down issues to 21 (FY2018)

- Extract mid-to-long-term initiatives and challenges (FY2019)
- Materiality proposal with consideration of ESG factors (from the viewpoint of corporate value enhancement)

- Identify eight material issues after meetings of the Board of Directors (March 2020)

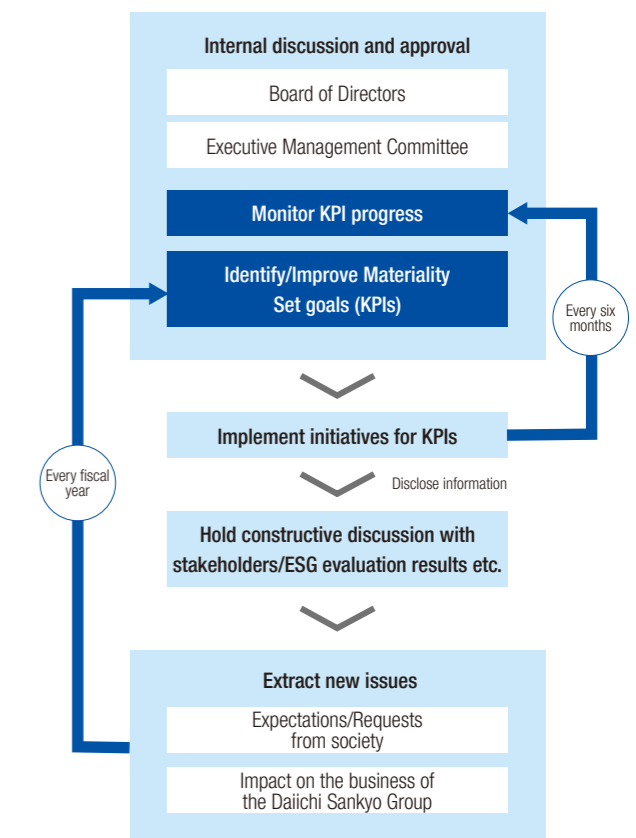
- Following the consideration by relevant organizations and multiple discussions with the members of Board of Directors, deliberate and approve the KPIs and targets at the Board of Directors and Executive Management Committee (March 2021)

Materiality Management









Materiality management is promoted under a materiality management system in which Corporate Planning Department and Sustainability Promotion Department serve as the administrative office. In response to changes in the social environment applicable to setting KPIs, the necessity of adding new material issues or making 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. During the annual management cycle, we regularly check the progress of KPI targets and discuss improvement of Materiality.

In FY2021, the EMC and the Board of Directors discussed the addition of KPIs and the setting/review of KPI targets, incorporating insights gained through constructive dialogue with internal and external stakeholders, based on an understanding of changes in the internal and external environment and the demands of society, in order to achieve the long-term targets for each material issue. In FY2022, through discussions in June 2022, revisions were made to the KPI target values for CO₂ emissions and renewable electricity utilization rate in "Promoting Environmental Management." Also, KPIs and targets were added for human rights issues in "Promoting Compliance Management." We are currently addressing with the aim of setting KPIs and targets for FY2023 in line with the opinions that we received from investors, "indicators for contribution to patients."

Materiality Management Cycle



List of Materiality

	Long-term target	Challenges for realizing materiality	KPIs		FY2025 targets	FY2021 results	(1) Economic value creation (2) Social value creation	
Materiality on Business	Creating Innovative Pharmaceuticals 	Create innovative pharmaceuticals continuously, utilizing our strength (science & technology)	<ul style="list-style-type: none"> Creating the advanced products and pipeline to transform the SOC in the oncology field Development of innovative medicines and preventive medicines with new modalities 	<ol style="list-style-type: none"> The number of new launches and new indication approvals for 3ADCs Progress in ADCs which is in early development stage/ other Alpha projects Progress in development of post DXd-ADC projects 		<ol style="list-style-type: none"> 3ADCs: 8 additional indications Multiple products to become the new growth driver after 3ADCs are in late development stage or more advanced stage Post DXd-ADC modality is in development stage 	<ul style="list-style-type: none"> <i>Enhertu</i> Submission of sBLA for HER2 mutant Breast Cancer NSCLC 2L+ approved (U.S., Jan 2022) No project progressed late stage trials of Alpha assets DS-5670 (LNP-mRNA) Ph1/2 TLRs acquired in Oct 2021 for unvaccinated healthy adults, Started Ph2 trial in Nov 2021, Booster vaccination trials started in Jan 2022 	<ol style="list-style-type: none"> Expand R&D pipeline and acquire intellectual property contributing to future revenue and profit Contribute to the enrichment of quality of life around the world
	Providing a Stable Supply of Top-Quality Pharmaceutical Products 	Establish a robust global supply chain system to provide a stable supply of top-quality pharmaceuticals	<ul style="list-style-type: none"> Establishment of a global production and supply system through appropriate capital investment corresponding to the increase of new modality products including ADCs 	Construction of ADC production system and stable supply of top-quality pharmaceuticals to patients (including capital expenditure)		In-house capital investment and CMO investment: Maximum 300 billion yen (Total capital investment from FY2021 to FY2025: Approximately 500 billion yen)	<ul style="list-style-type: none"> Expansion of supply capacity in response to demand forecast (approx. 80 billion yen has been decided) Stable inventory secured for current commitments 	<ol style="list-style-type: none"> Increase revenue and profit, reduce/prevent the risk of declining corporate value Contribute to the enrichment of quality of life around the world
	Providing the Highest Quality Medical Information 	Provide safety and efficacy information so that healthcare professionals can always use our products for the treatment of patients with confidence	<ul style="list-style-type: none"> Provision of highly useful pharmaceutical information in areas with high expertise/ individuality 	Evaluation of our approach to information provision from stakeholders including healthcare professionals		Improvement of evaluation scores	<ul style="list-style-type: none"> Japan Business Unit: MR: 1st in all markets, MA: 1st in cardiovascular field, Product Information Center: 1st both in health insurance pharmacy pharmacists and hospital pharmacists^{*1} EU Specialty Business Unit: Improvement of evaluation in cardiovascular fields 	<ol style="list-style-type: none"> Increase revenue and profit, reduce/prevent the risk of declining corporate value Contribute to the enrichment of quality of life around the world
	Improving Access to Healthcare 	Contribute to improving access to healthcare, working with stakeholders such as the government, payers and alliance partners	<ul style="list-style-type: none"> 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 	<ol style="list-style-type: none"> 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. Status of contribution to mitigating new risks through collaboration with the regulatory authorities and other companies, etc. 		<ol style="list-style-type: none"> Increase in the number of launched countries and regions Achievement of supply of COVID-19 vaccine (AZD-1222) of AstraZeneca as planned (FY2021) and progress in development of DS-5670 as planned 	<ol style="list-style-type: none"> Countries where <i>Enhertu</i> has been launched: 25/40 countries, Expansion into new countries in FY2021: 20 countries, Number of patients treated: Appx. 8,000 patients (2)-1: Contract manufacturing responsibility had completed at the end of December (2)-2: Ph1/2 TLR obtained in Oct 2021 for unvaccinated healthy adults, Started Ph2 trial in Nov, Booster vaccination trials started in Jan 2022 	<ol style="list-style-type: none"> Increase revenue and profit, reduce/prevent the risk of declining corporate value Contribute to the enrichment of quality of life around the world
Materiality on Business Foundations	Promoting Environmental Management 	As a healthcare company, we will proactively reduce the environmental impacts of our business operations and seek to implement advanced climate change countermeasures	<ul style="list-style-type: none"> 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 	<ol style="list-style-type: none"> CO₂ emissions (Scope1 + Scope2)^{*2} CO₂ emissions intensity based on sales (Scope3, Cat1)^{*2} Renewable electricity utilization rate Waste plastic recycling rate Disposal of hazardous waste 		<ol style="list-style-type: none"> 42% reduction from FY2015^{*3} 15% reduction from FY2020 More than 60% utilization rate^{*3} Over 70% maintained 10% reduction from FY2020 	<ol style="list-style-type: none"> 15.7% reduction from FY2015 (191,399t-CO₂*) 16.8% reduction from FY2020 (513,874t-CO₂*) 9.4%^{*4} 59.3%^{*4} 22.4% reduction from FY2020 (4,350t*) 	<ol style="list-style-type: none"> Enhance of corporate value by improving evaluation of environmental management initiatives (reduction/avoidance of the damage risk to corporate value) 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
	Promoting Compliance Management 	An organization in which every employee behaves with high ethical standards as well as in compliance with applicable laws and regulations	<ul style="list-style-type: none"> 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 To improve human rights efforts through the human rights due diligence^{*5} 	<ol style="list-style-type: none"> Number of significant compliance violations Number of significant code violations Periodic employee survey on ethical culture Compliance monitoring, Monitoring of Promotional Activities Sustainable procurement survey coverage rate (based on total procurement amount) Strengthening internal education and disseminating our thoughts with business partners Case of violation with ILO Core Labour Standards^{*6} according to human rights risk assessment through DS Group^{*5} Reduce business partners risks related to ILO Core Labour Standards^{*5, *6} 		<ol style="list-style-type: none"> 0 0 Improvement of scores following baseline Conducting continuous monitoring at each company 75% Disclose of the result of education and training No case of violation with ILO Core Labour Standards^{*6} as a result of human rights risk assessment through DS Group^{*5} Disclose any results of business partners risk reduction initiatives related to ILO Core Labour Standards^{*5, *6} 	<ol style="list-style-type: none"> 0 2 Positive response rate: 84% Conducted monitoring at each company 73% (Questionnaire response rate 96%) Conducted awareness raising programs (6 departments) and individual interviews with outside suppliers (12 companies) Confirmed that the likelihood of relevant human rights violations at all Group companies is low according to the results of the human rights risk assessment conducted in FY2020 and that sufficient risk mitigation measures are being implemented Completed identification of business partners in need of clarification of the second sustainable procurement survey and resolved all issues 	<ol style="list-style-type: none"> Enhance of corporate value by improving trust in our corporate brand (mitigation/prevention of the risks of damage to corporate value) Maintain and enhance trust in the pharmaceutical industry, improving social compliance through sustainable procurement
	Corporate Governance Aimed at Fulfilling Our Mission 	Establish a corporate governance structure that enables speedy decision making and supervisory and monitoring function for management and execution	<ul style="list-style-type: none"> 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 	<ol style="list-style-type: none"> Comply with all the principles of the revised Corporate Governance Code in Japan Evaluate the effectiveness of the Board of Directors and implement measures for improvement (conducting third party evaluation on a regular basis, two times by the end of FY2025) Continuously evaluate and improve the effectiveness of the Audit & Supervisory Board Enhance and improve transparent disclosure in order to help stakeholders to understand the company's corporate governance 		<ol style="list-style-type: none"> Comply 100% with the revised Corporate Governance Code in Japan Evaluate the effectiveness of the Board of Directors and implement measures for improvement (including third party evaluation, two times by the end of FY2025) Continuously evaluate and improve the effectiveness of the Audit & Supervisory Board Disclosure through various communication materials with improved transparency 	<ol style="list-style-type: none"> Confirmed 100% compliance with the revised Corporate Governance Code and disclosed in the Corporate Governance Report, including the newly required principles Implemented improvement measures to address issues identified in the FY2020 effectiveness evaluation Selected a third-party organization and conducted the Board of Directors evaluation with the support of it Implemented improvement measures to address issues identified in the FY2020 effectiveness evaluation Conducted self-evaluation on the FY2021 effectiveness evaluation of the Audit & Supervisory Board and identified challenges to be addressed in FY2022 Revision of executive compensation system, development and disclosure of the Skill Matrix Disclosure based on the revised Corporate Governance Code Chairman Uji's message in Value Report, and his participation at ESG Briefing 	<ol style="list-style-type: none"> Improve sustainable growth of the company and enhancement of corporate value in the mid-to-long-term Total value provided through our business operations, realize management with a high transparency to meet the expectations of shareholders, investors, and other stakeholders
	Promoting the Success and Development of a Diverse Range of People Who Create Our Competitive Advantages 	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	<ul style="list-style-type: none"> 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 	<ol style="list-style-type: none"> Percentage of female in senior managerial employees^{*7} Positive response rate (%) on corporate culture & work environment through engagement survey Positive response rate (%) on development & growth opportunities through engagement survey Amount of training/development investments per employee 		<ol style="list-style-type: none"> 30% 80% or more, or 10% or more increase compared to FY2021 80% or more, or 10% or more increase compared to FY2021 Disclose the result 	<ol style="list-style-type: none"> 17.9% (+1.8% YoY) Positive response rate 75% Positive response rate 68% ¥121,065 (+¥24,879 YoY) 	<ol style="list-style-type: none"> Enhance of corporate value through developing talents to carry out business activities Diversify of human resources, respect for human rights, talent development

*1 MR: Feb. 2022, INTAGE Healthcare Inc. (Rep-I), MA: Jan. 2022, INTAGE Healthcare Inc.

Product Information Center: Nov. 2021, transcocosmos inc. and The Japan Research Institute, Limited

*2 Scope1: Direct emissions from the reporting company's factories, offices, vehicles, etc. (Combustion of fuels)

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

*3 Reviewed in FY2022

*4 Subject to the third-party assurance

*5 Newly set in FY2022

*6 Freedom of association and the effective recognition of the right to collective bargaining, the elimination of forced or compulsory labor, the abolition of child labor and the elimination of discrimination in respect of employment and occupation

*7 Senior managerial employees: percentage of women who are in positions equivalent to division heads or higher positions

Creating Innovative Pharmaceuticals



Among the four material issues on business, “creating innovative pharmaceuticals” is the basis of our value creation and our top priority. Together with the other three material issues, we believe that creating innovative pharmaceuticals will lead both to the resolution of unmet medical needs, and to the realization of our Purpose.

3 and Alpha

In research and development, we have adopted “3 and Alpha strategy” to meet our FY2025 target and achieve our 2030 Vision. 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. *Enhertu* is our key 3ADCs product. Our goal is for it to transform treatment and outcomes for patients with HER2-targetable tumors and become the first agent of choice. *Enhertu* is currently undergoing clinical trials for a variety of lines of treatment and indications—including HER2 positive breast cancer, and HER2 low expression breast cancer—and we are working to expand its applications. Large numbers of people continue to suffer from cancer, and we are striving to deliver new pharmaceutical therapies to both patients and healthcare professionals as quickly as possible.

In “Alpha,” which is our projects other than 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. We are aiming to commercialize the mRNA vaccine for COVID-19, *DS-5670*, as soon as possible; clinical trials to verify the booster effects of additional doses and the effects on non-

vaccinated patients are currently ongoing. Confident that our strength in Science & Technology will lead to the development of new drugs in unknown fields, we will continue to embark on new challenges.

Expand 3ADCs in Broader Cancer Types and Indications

Product	Indication
<i>Enhertu</i>	Breast cancer, Gastric cancer, Non-small cell lung cancer (NSCLC), Colorectal cancer
DESTINY - Breast03 ^{*1}	HER2-positive breast cancer 2L, vs. T-DM1
DESTINY - Breast04 ^{*1}	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. standard of care
DESTINY - Lung01/02 ^{*1}	HER2 mutated NSCLC, HER2-overexpressing NSCLC 2L ~ / HER2 mutated NSCLC 2L ~; 2 doses (5.4, 6.4mg/kg)
DESTINY - CRC01/02	HER2-expressing colorectal cancer 3L / HER2-expressing colorectal cancer 3L; 2 doses (5.4, 6.4mg/kg)
<i>Dato-DXd</i>	
TROPION - Lung01	NSCLC, 2/3L
<i>HER3-DXd</i>	
HERTHENA - Lung01	EGFR mutated NSCLC, 3L

^{*1} Extremely succeeded in FY2021

Diverse Modalities

Pharmaceuticals include various types of drug molecules—such as small molecules and antibodies—which are collectively called “modalities.” Advances in science have led to the formation of a variety of modalities, and these have allowed us to work on drug discovery targets that have previously proven challenging. Indeed, using ADC technologies we have created our own ADC modality, to go alongside our small molecule drugs. We believe that after 3ADCs, our next growth drivers will come from one of four areas: the DXd-ADC family, second-generation and new-concept ADCs, modified antibodies, or

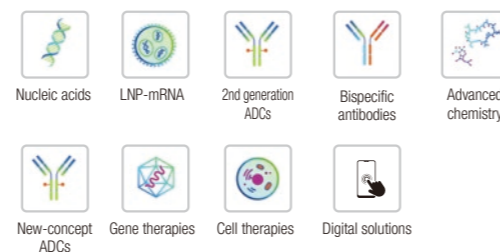
the ENA[®] family. In addition, our work on *DS-5670* has enabled us to advance our development of LNP-mRNA technologies, and we have also accumulated development and production know-how. These technologies will undoubtedly prove useful for the public health of countries around the world during future pandemics. 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 to Follow 3ADCs

DXd-ADC Family	Second-generation and New-concept ADCs
<ul style="list-style-type: none"> DS-7300: efficacy being verified in Ph1 DS-6000: efficacy being verified in Ph1 DS-3939: preparations in progress for FIH² DS-xxxx: preparations in progress for FIH 	<ul style="list-style-type: none"> Second-generation ADC, DS-9606 Ph1 in progress New-concept ADC Preparations in progress for FIH
Modified Antibodies	ENA [®] family
<ul style="list-style-type: none"> DS-1055 (immuno-oncology) Ph1 in progress DS-1103 (immuno-oncology) Preparations in progress for FIH Bispecific antibodies Preparations in progress for FIH 	<ul style="list-style-type: none"> Multiple projects using ENA technologies DS-5141, DS-5144, DS-5150, DS-5151, DS-5153, DS-4108, etc.

² “FIH” stands for “first in human.” In FIH clinical trials, drugs, procedures, or treatments are tested on humans for the first time.

Diverse Modalities



Providing a Stable Supply of Top-Quality Pharmaceutical Products



Pharmaceutical companies have a responsibility to ensure a steady and stable supply of high-quality pharmaceutical products. Through the appropriate capital investment, we have been establishing a global production and supply system that responds to increased demand for antibody drug conjugates (ADCs) and other new-modality products.

Establishing a Robust Global Supply Chain toward an Increase in Demand for 3ADCs

The key to our transformation in the field of oncology lies in maximizing the supply of our 3ADCs and, to this end, we are promoting capital investment in Group plants. An ADC comprises three parts: 1. an antibody; 2. a drug; and 3. a linker that binds the antibody to a drug. The manufacturing process comprises four-step: 1. culture, to produce the antibody (biotechnology); 2. synthesis, to bind the drug to the linker; 3. conjugation, to bind the antibody

to the drug linker; and 4. formulation, in this case freeze-drying, to create the final product.

In order to ensure a stable supply of ADCs in the future, we are strengthening our in-house production capabilities and securing production lines at contract manufacturing organizations (CMOs).

In FY2021, we made the decision to invest approximately 80 billion yen.

Production Sites Worldwide



Investment Plan to Strengthen ADC Production System

	FY2021	FY2022	FY2023	FY2024	FY2025
	Actual	Planned			
Antibody	🏭	🏭	🏭	🏭	
Drug	🏭	🏭	🏭	🏭	🏭
Formulation	🏭		🏭		

* 🏭 indicates years in which investment is planned

Quality Assurance for the Supply of Top-Quality Pharmaceutical Products

In order to reduce risks related to the quality of our products, Daiichi Sankyo Group regularly audits manufacturing sites of both Group companies and external partners to ensure they have appropriate quality management systems in place. COVID-19 continued to prevent on-site audits in FY2021, so we conducted paper audits and remote audits to ensure quality control and reduce quality risks.

In light of the increasing demand for ADCs, we are in the process of planning and implementing numerous changes, such as scaling up production capacity and partnering with new overseas CMOs. Previously, CMOs were directly managed from Japan; however, in order to strengthen our foundation for quality assurance and the stable supply of ADCs, we

intend to transition to a new quality management system wherein we oversee CMOs in coordination with our overseas Group companies.

To manage these changes, as we fully comply with the pharmaceutical regulations of the countries in which we operate it is vital we do so in an efficient and effective manner. To this end, we will ensure that all relevant departments collaborate with each other, and contribute to the stable supply of our products globally. Furthermore, with the goal of establishing an even stronger global quality management system, we have also started using a new IT system, which enables us to centrally manage quality information such as change control, deviations and so on.

Addressing the Procurement Challenges to Ensure Stable Supply

COVID-19 and the ongoing situation in Ukraine have led to various procurement issues, including rising prices of raw material, delayed deliveries of manufacturing materials and equipment, and logistical disruption. However, we successfully maintained stable supply of our products in FY2021 through a variety of measures, including modifying production plans, multi sourcing, securing substitute suppliers,

establishing new transportation routes, and increasing our inventories.

Difficulties in procuring raw materials and manufacturing materials persist, while logistics systems remain unstable. For these reasons, we will continue to work to mitigate and reduce risks that might prevent the stable supply of our products.

Providing the Highest Quality Medical Information



Highly reliable safety and efficacy information is essential for healthcare professionals in prescribing pharmaceutical products to treat patients with confidence. We contribute to healthcare by providing, collecting, and transmitting valuable information related to our pharmaceutical products that is rooted in established evidence, ensuring this information is communicated widely in society.

Aiming to be a Reliable Medical Partner

According to a FY2021 third-party survey for healthcare professionals in Japan, our Group was ranked No. 1 in three fields: medical affairs (MA) activities (cardiovascular field), medical representative (MR) activities, and responses to inquiries. In the field of MA, we drew on expert knowledge in medical, pharmaceutical, and natural sciences, and maintained fairness, independence, and transparency in a range of activities, including interacting with healthcare professionals, and planning and promoting clinical research aimed at resolving clinical questions (questions related to the use of drugs raised by both patients and healthcare professionals). In FY2021, we also gave numerous presentations at academic conferences and submitted large numbers of academic papers. Our activities on the provision, collection, and

transmission of information by MRs were wide-ranging. We leveraged our uniquely wide-ranging line-up—which covers cardiovascular field, central nervous systems, pain, and oncology, etc.—to provide expert information related to safety and efficacy; this information is useful to healthcare professionals tasked with treating patients with various diseases. We also took care to engage in activities from a patient perspective. With regard to inquiries to our product information center, in October 2021 we started using a drug information (DI) chatbot utilizing AI, named “Itsudemo DI24,” on our website for medical healthcare professionals; this formed part of our efforts to establish a system that makes accurate information available 24 hours a day, 365 days a year.

Continuous Improvements to our Customer Experience (Europe)

Our EU Specialty Business Unit (EUSBU) has prioritized a Customer First Mindset in the cardiovascular therapeutic area, in which it truly and systematically seeks, analyses and learns from all interactions and feedback from customers— and uses that input to deliver an outstanding experience to them. Since FY2019, our Group has used Net Promoter Score (NPS)* across our Europe operations. We have received feedback from more than 5,500 customers in nine countries, which we are using to evaluate, analyze, and improve our activities. Our NPS improved in FY2021, a reflection of the continuous improvements we have been

making. We learned that customers primarily associate the Daiichi Sankyo Group with “reliability,” and that “reliability” is clearly one of our strengths. Other strengths include: communications tailored to individual customers through the adoption of an omni-channel approach; and the use of digital solutions that cater to changes in doctor-patient communication methods. By analyzing our NPS, we are working to continually improve the customer experience we provide and become a key player in the field of cardiovascular treatments.

*Net Promoter Score indicates how customers view our company in comparison to rival companies

Using Integrated Analysis Tools for *Enhertu* Safety Information

With the launch of *Enhertu*, there has been a demand for more specialized and more individualized safety information. In order to more quickly provide optimal safety information to healthcare professionals, we have introduced an integrated data analysis platform (IDAP) that enables us to carry out the integrated analysis of internal and external data. The data we analyze comes from multiple clinical trials and post-

marketing side effect information respectively, and our analyses result in high-quality safety information — such as course data of side effects and frequency data of side effect occurrence in each group by patients’ background — which we promptly provide to healthcare professionals. We are using the platform to carry out safety monitoring and for a wide variety of other purposes.

Improving Access to Healthcare



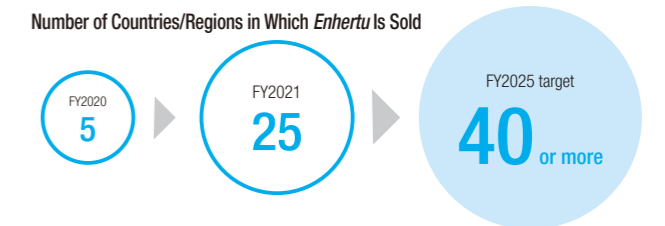
In addition to taking actions to address unmet medical needs, one of the important missions of pharmaceutical companies is addressing the problem of insufficient access to healthcare caused by various social factors. In line with the Daiichi Sankyo Group Policy on Access to Healthcare, we are continually working to address the challenge of access to healthcare across our entire value chain, based on the three pillars of “Research & Development,” “Availability,” and “Capacity Building.”

Sales of *Enhertu* Expanded to 25 Countries and Regions

In January 2020, we launched *Enhertu* in the U.S. ahead of other countries for its first indication: third-line treatment of HER2-positive breast cancer. After that, we launched the drug in Japan in May 2020, and in Europe in February 2021. Since then, in addition to accelerating the market penetration of *Enhertu* in Japan, the U.S., and Europe, we have been working on its early-access in regions other than Japan, the U.S., and Europe, and on adding further indications. In FY2021, *Enhertu* was sold in 20 countries around the world; as of March 31, 2022, sales have been expanded to a total of 25 countries. We have entered into a strategic collaboration for *Enhertu* with AstraZeneca, whose oncology business reaches over 70 countries and regions. We intend to expand access to the drug through our collaboration

with AstraZeneca, which has excellent market access based on a relationship of trust with payers and oncology specialists and extensive experience and know-how in medical affairs and development, etc.

For further information regarding delivering innovative pharmaceuticals to patients around the world, please see [▶ P. 19](#)



Developing the *DS-5670* COVID-19 Vaccine

In order to meet our social responsibilities as a Japanese pharmaceutical company that operates a vaccine business, we aim to continue delivering a stable supply of vaccines and to contribute to improving Japan’s preventive care and its health and hygiene.

In FY2021, to fight the rapid spread of COVID-19, we began manufacturing AstraZeneca’s vaccine, and thereby swiftly realized domestic production and supply of the vaccine that had been developed overseas. This was the first COVID-19 vaccine produced in Japan and, in June 2021, it was supplied by the Japanese government to various countries in Southeast Asia. We are also using our proprietary mRNA technologies to develop the *DS-5670* COVID-19 vaccine, and we are working to establish domestic mRNA vaccine production systems at Daiichi Sankyo Biotech toward its commercialization.

We also intend to establish these mRNA technologies as platform technologies capable of being used to develop vaccines not only for *DS-5670* but for future emerging and re-emerging infectious diseases. By using these technologies to provide people with preventive care, we intend to help them carry on living their normal lives.

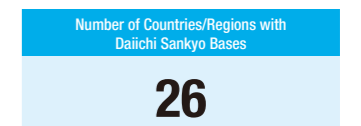


Kitamoto Plant

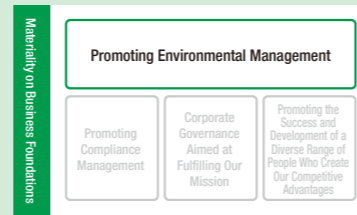
Establishing Daiichi Sankyo Sales Bases in Australia, Canada, and Singapore

In FY2021, we established wholly owned subsidiaries in Australia, Canada, and Singapore. These new companies will develop and sell pharmaceuticals and contribute to healthcare in their respective countries. The establishment of these new companies means that we now operate bases in 26 countries and regions around the world. Going forward, we will continue to strengthen our foundations for expanding

sales of oncology products and other new products around the world.



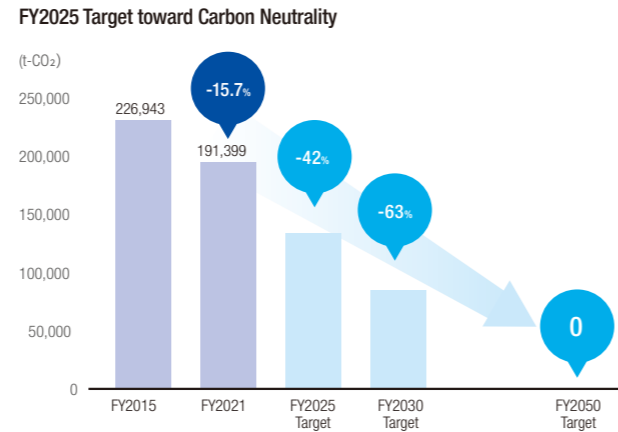
Promoting Environmental Management



As a healthcare company with the Purpose “to contribute to the enrichment of quality of life around the world,” we consider global environmental conservation, which is the basis of life and livelihood, as a key management issue.

Revision in KPI Targets

As a materiality KPI for environmental management in our current 5-year business plan (FY2021–FY2025), we set a target of reducing Scope 1 and Scope 2 CO₂ emissions by 25% by FY2025 and by 37.5% by FY2030 compared to FY2015 emissions, a target based on the level of the SBTi*1 to limit global temperature increase to “well below 2°C.” However, in order to more actively respond to growing requirements from society for action on climate change, notably the Japanese government’s 2050 carbon neutral declaration and the COP26 summit’s adoption of the Glasgow Climate Pact, we decided to set a more ambitious goal of reducing Scope 1 and Scope 2 CO₂ emissions by 42% by FY2025 and 63% by FY2030 compared to FY2015 emissions, which are aligned with the SBTi “1.5°C” target.



*1 An international initiative that encourage companies to set CO₂ reduction targets in line with the Paris Agreement goals.

Decarbonization Initiatives

At the Pfaffenhofen Plant in Germany, a self-consumption solar power generation system started to operate in February 2022. Moreover, plants in Japan are promoting energy-saving initiatives mainly by switching to highly efficient energy-saving refrigerators and taking measures to improve the thermal insulation of boiler pipes. These initiatives have resulted in reducing our global CO₂ emissions by more than 700 tons annually.

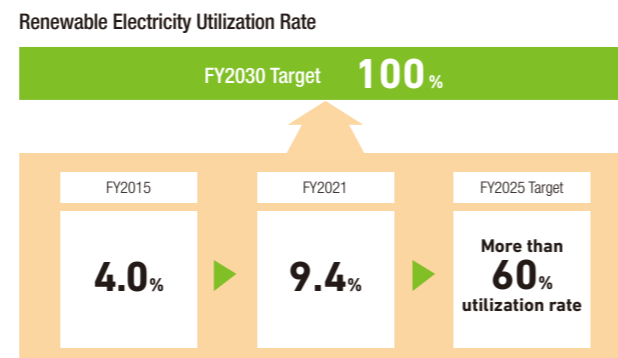


Utilization of Renewable Energy

In FY2021, we focused on examining procurement solutions and scope of application with a view to expand the use of renewable energy. As a result, from April 2022, we started to switch the electricity used at 13 sites in Japan, including the head office building, plants, research laboratories, and training centers, to renewable energy (FIT non-fossil fuel energy certificates with tracking information). We therefore expect the Group’s overall CO₂ emissions for FY2022 to come to around 120,000 tons (a reduction of about 45% compared to FY2015). We aim to achieve our FY2025 renewable energy utilization rate target of at least 60% by maintaining the current level along with our business expansion, and furthermore, to achieve a renewable electricity utilization rate of 100% ahead of schedule by FY2030, as accelerated by the RE100*2.

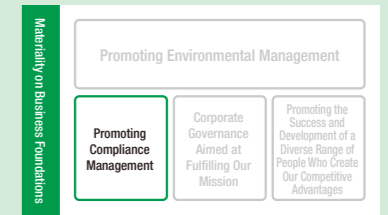
Our Group companies in and outside of Japan are also accelerating initiatives to realize carbon neutrality through promoting the introduction

of decarbonization technology which enables the implementation of renewable energy utilization.



*2 RE100: 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.

Promoting Compliance Management



Compliance is indispensable for the long-term maintenance and improvement of our corporate values. The Daiichi Sankyo Group complies with laws, regulations, and industry codes, and executes compliance management with a focus on ensuring that it retains the highest ethical standards and social consciousness required of a life science company.

Initiatives for Improving Workplace Culture

Our Group endeavors to reinforce an open workplace culture as a cornerstone for our compliance management. In FY2021, we carried out a global employee survey to measure the score of our “periodic employee survey on ethical culture,” which was one of our materiality KPIs. 84% of respondents provided positive responses, indicating that we are succeeding in creating a culture that respects compliance.

To further encourage improvements in workplace culture, in addition to periodic messages emphasizing the importance of compliance by our CEO and compliance officers and carrying out interactive training

programs every year, we have selected “Speak Up” as our Group-wide theme for FY2022. We are implementing various measures aimed at raising employee awareness of the importance of everyday communication and listening attentively. We will also continue to promote the use of our Global Hotlines, which are open 24 hours a day, 365 days a year, available in the languages of the countries and regions where the Group companies are located, and attempt to create an even better workplace culture and to further promote compliance management.

Initiatives for Code Compliance

Our Group manages cases of healthcare-related findings made by pharmaceutical regulatory authorities or industry-related organizations that may materially discredit or reduce confidence in the company. These are referred to as “significant code violations,” and we disclose them on our global website.

Since FY2021, as part of our efforts to prevent code violations globally, we regularly collect information on code violations that have

taken place at our Group companies in Japan, the U.S., Europe, and the ASCA region, and hold meetings with the code compliance representatives of the Group companies. By sharing examples of and exchanging opinions on code violations that have taken place at Group companies in each country, we are able to deepen our understanding, which is useful in our efforts to prevent further code violations from occurring.

Promoting Sustainable Procurement Activities

In order to realize a sustainable society, we believe it is necessary to join efforts with our business partners to promote sustainable procurement. We are engaged in various initiatives, one of which is conducting a sustainable procurement survey with our business partners once every three years, based on our Business Partner Code of Conduct (BPCC)*3. The second survey (FY2020–FY2022) was issued to 403 of our major business partners in Japan and overseas. Working together with our overseas Group companies, we succeeded in improving the participation rate, and obtained responses from 386 companies (96%). An analysis of these responses revealed similar trends to the first survey (FY2017–FY2019), suggesting the need to continue focusing on environmental initiatives. In FY2022, we are planning to share information relating to sustainability activities through individual discussions with business partner companies selected according to their answers to the second survey responses. Through such two-way communication, we intend to encourage mutual cooperation with our business partners, and thereby promote and strengthen our initiatives for sustainable procurement.

*3 The BPCC establishes concrete items that our Group companies expect from our Japanese and overseas business partners including compliance in various fields—such as ethics, human rights, health and safety, and environmental management.

Sustainable Procurement Survey

	First sustainable procurement survey (Period: FY2017–FY2019) Results			Second sustainable procurement survey (Period: FY2020–FY2022) In progress	
	Number of companies surveyed	Number of respondents (Response rate)	Number of companies that communicated Number of respondents	Number of companies surveyed	Number of respondents (Response rate)
Total	381	355 (93%)	26	403	386 (96%)
Direct materials					
Subtotal	248	230 (93%)	18	263	257 (98%)
Raw materials	119	113 (95%)	6	138	135 (98%)
Licensed products and consigned manufacturing products	99	92 (93%)	7	89	88 (99%)
Manufacturer/Non-tier 1 Supplier	30	25 (83%)	5	36	34 (94%)
Indirect materials					
Subtotal	133	125 (94%)	8	140	129 (92%)

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



We believe that our “people” are the most important “asset” of the Daiichi Sankyo Group. Based on our HR Management Philosophy, we respect the diversity of each and every employee, thereby ensuring the mutual sustainable growth of our employees and the Company. To achieve this, we are creating a work environment where a diverse range of talents are highly engaged and can maximize their potential, and acquiring and training talents to enhance our business competitiveness.

Fostering One DS Culture

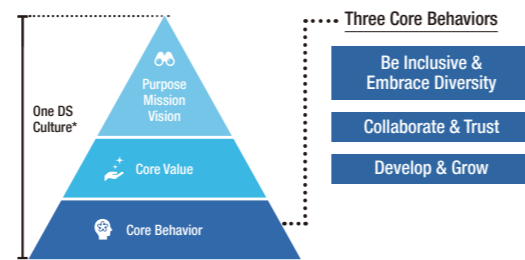
We have been working to create our common global corporate culture, One DS Culture, since FY2021 in order to further accelerate the expansion of our oncology business and global business development, which are part of what we aim to achieve in our current 5-year business plan.

By fostering One DS Culture while leveraging our heritage and strengths, we aim to create a workplace where all employees can work energetically, regardless of gender, nationality, cultural background or other differences. Through the understanding and implementation of the Three Core Behaviors among our employees, our employees will effectively collaborate with employees around the world to achieve our shared vision and build trust across functions and regions, which will lead to innovations for the benefit of patients.

In FY2021, as part of fostering One DS Culture, we organized an online workshops for management and global leaders with the aim of building understanding of and commitment to behaviors and work styles appropriate to a truly global company. We also conducted our first global engagement survey of all employees across the Group and received a high response rate of 89% (14,494 respondents). The survey included questions on corporate culture and work environment, as well as opportunities for development and growth, and these were set as

materiality KPIs. The results for the FY2021 survey showed a 75% positive response rate for corporate culture and work environment and a 68% positive response rate for development and growth opportunities. While we do have room to improve, this score highlights that our employees report being personally invested in their work, excited about our vision, and see a strong connection between their roles and our Purpose and Vision. Using the positive response rate in FY2021, the first year of the survey, as a baseline, we plan to make improvements going forward. In FY2022, we plan to analyze the factors behind the results in comparison to the previous year and develop a plan to address improvement areas.

For more information on the Three Core Behaviors [P. 3](#)



* The combination of our Purpose, Mission, Vision, Core Values, and Core Behaviors

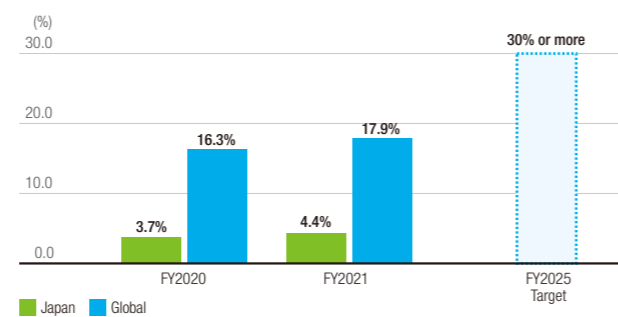
Promoting Inclusion & Diversity (I&D)

In FY2021, on International Women’s Day, we formulated our Global I&D Statement. Across the Daiichi Sankyo Group, “Inclusion” refers to the acceptance of diversity, and “Diversity” refers to differences in various aspects, including gender, race, religion, sexual orientation, age, disability, values, beliefs and other areas. Furthermore, connecting diverse perspectives and experiences to innovation in business is another important concept of Inclusion. We believe that promoting I&D will lead to higher employee engagement and enable us to contribute to our various stakeholders, including patients, and the many diverse countries, regions, and communities in which we live and work.

One of our Materiality KPIs is to achieve 30% of female in senior managerial employees by FY2025. In FY2021, we reached 17.9% (+1.8 pt YoY) globally, but the low ratio of female in senior managerial employees in Japan remains a challenge. In Japan, we have set a target of increasing the percentage of female in managerial employees, who are the candidates for senior managers, to at least 15% by the end of FY2025 (9.3% in FY2021; +1.2 pt YoY), and we will continue

to work toward achieving this target. At the same time, we will create a workplace environment in Japan in which women can play an active role more than ever before by providing support for women in terms of leadership training, career development, offering growth opportunities, and ensuring a good work-life balance.

Percentage of female in senior managerial employees

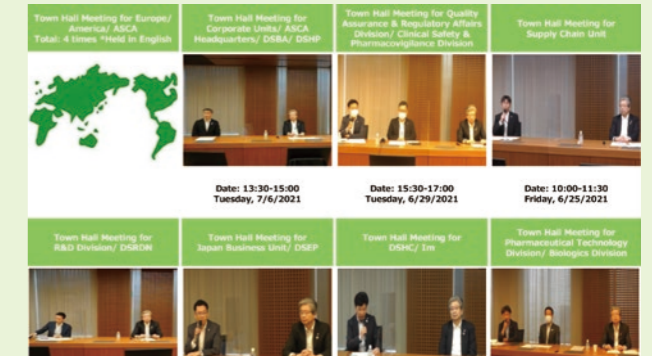


Penetration Initiatives to Realize our Purpose and Vision

To ensure that all employees understand the background and the meaning of the Purpose and Vision and the meaning of the goals, and act on their own to realize them, we are working to disseminate the current 5-year business plan and foster our Group-wide corporate culture (One DS Culture) through direct communication between management and employees at CEO town hall meetings and workshops.

CEO Global Town Hall Meetings Held to Penetrate Our Purpose, Vision, and Current 5-year Business Plan

Aiming to deepen everyone’s understanding of our Purpose, Vision, and current 5-year business plan, and to build unity in views towards achieving them between management and employees, we held CEO global town hall meetings for all of our business sites (including Group companies) from June to September 2021, where over 10,000 employees attended online. We also released recorded videos and summary reports on the intranet for all employees including those who could not attend the meetings.



Questions from employees related to sustainability

Employees asked Mr. Manabe, our CEO, various questions related to sustainability, showing their high level of interest in this key subject. The meetings were thus a valuable opportunity for each and every employee to understand the thoughts of management and to consider sustainability in their own initiatives, through discussions in response to the following questions:

- “What kind of preparation and interests are necessary for each of us to become more familiar with and correctly understand ESG?”
- “Contemporary companies are expected to balance their own growth with contributions to society, but in case our profit conflicts with measures to protect the environment, what should we prioritize?”
- “To develop a sustainable society, what do you expect us to contribute to society other than pharmaceuticals?”

Launch of the Global Culture Initiative

We have launched an initiative aimed at fostering One DS Culture which is necessary for employees to think, act, and operate globally in order to more broadly contribute to patients and society.

Implementing Cultural Diagnostics

From 2020 to 2021, we conducted comprehensive cultural diagnostics—including interviewing 58 leaders, holding 18 focus group discussions with a total of 263 employee participants, and conducting a cultural survey to which 12,642 employees responded—to kick off the Global Culture Initiative by analyzing the gap between our current situation and future aspiration. As a result, we discovered the following cultural challenges: *Cultural disconnects across regions, functions, and therapeutic areas / Lack of clear translation from strategy into action and ownership and alignment across leaders / Inefficiency in how work gets done / Insufficient focus on talent development outside Japan / Fear of failure inhibiting creativity and initiative-taking at the individual and team levels.* In order to resolve these cultural challenges and become a truly global company, we have defined our Core Behaviors that employees should practice.

Holding Workshops

In FY2021, we held a total of eight online workshops for approximately 200 leaders globally, including our Executive Management Committee members. At the workshops, they learned the significance of becoming a truly global company, as well as how leading by example can help each employee to understand and practice our Core Behaviors. By using One DS Culture as a foundation to further enhance the strengths of our human resources and global organization, we aim to achieve our Purpose and Vision through the united efforts of all employees.



Social Value Creation

We recognize that the social value created through our Materiality initiatives will be from the Group's contribution to United Nations (UN) Sustainable Development Goals (SDGs).

We have organized an outline of the social significance of the Group's initiatives in terms of Purpose, Vision, and Materiality, and summarized our progress in achieving our Purpose (creation of social value) in the below chart. Furthermore, we organized the social value that our Group is creating from the perspective of the UN SDGs. For example, "to contribute to the enrichment of quality of life around the world" to which society has high expectations and to which we can best contribute, is linked to UN SDGs Goal 3, "Ensure healthy lives and promote well-being for all at all ages." We will also contribute to the achievement of Goals 9, 12, and 17 of the UN SDGs to realize our Purpose. In addition, to promote environmental management, we are endeavoring to meet the growing societal demand for "contribution to environmental load reduction". Furthermore, through our Materiality of "promoting compliance management" and "corporate governance aimed at fulfilling our mission", we strive to realize highly transparent management along with promotion and development of talent so that each and every employee can find their work rewarding, solidifying our commitment to respect for human rights and thereby contributing to our achievement of Goals 5, 8, 10, and 16 of the UN SDGs.

In light of the external environment surrounding our Group, we are working to promote a deeper understanding of the SDGs within the Group companies, therefore each and every employee will be encouraged to take ownership in contributing to the SDGs as part of a company-wide effort to create social value. We will continue to work together as a Group to solve social issues not only by growing as a business, but also through creating new value.



Purpose

Contribute to the enrichment of quality of life around the world

2030 Vision

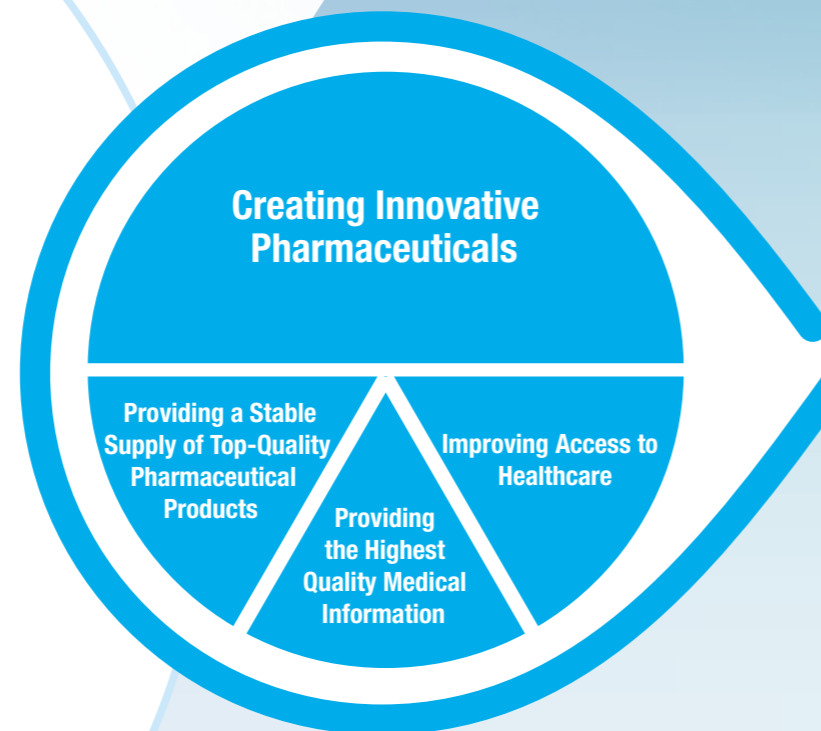
Innovative global healthcare company contributing to the sustainable development of society

Materiality on Business

Continuously create innovative pharmaceuticals and provide pharmaceuticals addressing diverse medical needs

Materiality on Business Foundations

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



Daiichi Sankyo Co., Ltd.

Delivered *Enhertu*[®], an oncology drug that addresses the unmet medical need for cancer treatment and innovates the standard of care, to more patients around the world by adding new indications and expanding approvals in more countries.

Produced and shipped AstraZeneca's COVID-19 vaccine as a contract manufacturing business by using Daiichi Sankyo Biotech's existing production facilities to restore the sense of safety and security in society, and contributed to providing the vaccine to Southeast Asia and other countries through the Japanese government.

Launched *Delytact*[®] in Japan for the treatment of malignant glioma, providing a new treatment option for patients with rare diseases that have few alternatives available because of the difficulty in developing treatments.

Capacity building through launching a cancer screening camp and providing services to over 1,000 local residents in Nepal, where breast and cervical cancer incidence rate is high and accounts for 30% of all cancer-related mortality.

Daiichi Sankyo, Inc.

Ensured patient access to investigational products (products not yet granted regulatory approval) through the Expanded Access Programs, which provide patients who are suffering from life-threatening conditions where there is an unmet medical need that cannot be met by existing products and who are unable to participate in clinical trials.

Daiichi Sankyo Espha Co., Ltd.

Provided high value-added generic drugs which are easier for patients to take and prevent medication-related errors, by printing the names on the tablet and focusing on designing the symbol mark on the PTP*.

* Abbreviation of Press Through Package

Daiichi Sankyo Co., Ltd.

Secured a stable supply of the comparator drugs necessary for clinical trials and established waste reduction by reviewing bulk purchases and devising other procurement methods.

Reduced person-hours, organic solvents and reagents, and energy consumption during production by improving the manufacturing process for narcotic active pharmaceutical ingredients (APIs).

Daiichi Sankyo Europe GmbH

Started operation of a self-consumption solar power system at the Pfaffenhofen Plant and reduced annual CO₂ emissions by approximately 230 tons. In addition, as part of the initiatives to realize a decarbonized society, we are actively promoting the installation of charging stations to support the adoption of electric vehicles.

Daiichi Sankyo Espha Co., Ltd.

Promoted the use of biomass plastic bottles in bulk packaging, which realized reduction of CO₂ emissions and the amount of petrochemical resin used compared to petroleum-derived plastics.

Daiichi Sankyo Healthcare Co., Ltd.

Switched to FSC[®]-certified paper for individual packaging boxes for approximately 40 products, making our packaging and materials environmentally friendly.



Please refer to our website for more details on our initiatives.

[Click here for more information.](https://www.daiichisankyo.com/sustainability/our_approach/sdgs/)

Initiatives toward Patient Centricity

Our Group's Purpose is to contribute to the enrichment of quality of life around the world, and core to all of our activities is our "Passion for Innovation. Compassion for Patients.®" as reflected in our corporate slogan.

Our commitment to support patients to find hope in their treatment drives all of our corporate activities. We are engaged in our activities with the belief that innovation will come from trials and errors and the continuous search for new drugs.

To make innovation more meaningful, we will further foster a patient centric mindset throughout the entire Group by continually engaging with patients and listening to their experiences, challenges, and perspectives.

We will strengthen our efforts to move toward patient centricity throughout our entire value chain.



COMPASS (Compassion for Patients Strategy), a strategy for patient-oriented drug discovery

We launched COMPASS in 2014 within the R&D Division as an initiative to drive progress in implementing "Patient-Oriented Drug Discovery." We are working to contribute to patients realizing "life with a smile" around the world, based on Daiichi Sankyo's corporate slogan, "Compassion for Patients."

We undertake two main activities in Japan under the COMPASS strategy. The first is an exchange program that enables patients and healthcare professionals, and our employees to get to know and understand each other through dialogue, with the aim of improving the quality of drug discovery. The second activity involves visits of our employees to medical facilities to understand the needs and actual circumstances of diseases and treatments, which provides an opportunity for them to reaffirm their roles and responsibilities as a member of a pharmaceutical company.

When interacting with patients, it goes without saying that we must comply

[Click here for more information.](#)

https://www.daiichisankyo.com/our_stories/detail/index_4170.html

with laws and regulations such as advertising regulations and personal information protection, but we have come to realize that there are issues we need to address that go beyond just complying with laws and regulations to build a relationship of mutual trust. Accordingly, we prepared a guidebook in collaboration with Takeda Pharmaceutical Co., Ltd., which shares the expertise and experience that both companies have accumulated, and provides guidelines for the collaboration with patients groups. We will use this guidebook to promote collaboration with patients in cooperation with other pharmaceutical companies.

Thoughts behind COMPASS

A patient once told us, "We don't live for treatment, we live to do what we want to do." We at Daiichi Sankyo would like to think together with not only our employees but also patients, their families, and medical professionals about what we can all do to help patients to realize "life with a smile" despite their illness.

Patient Advocacy - the value patient voices add to drug development

The pharmaceutical industry has moved away from advocacy simply meaning the transmittal of information about diseases and available treatments to patients. We are moving to an era of close collaboration between the company and the patient community where patient voices have an increasing impact on everything from research and drug development to treatment access. They are influential from the conception of a compound all the way to the marketplace and beyond.

Experts in their own diseases

By listening to patients, who live day and night with their disease, the company might be able to offer alternatives within the study protocol, perhaps allowing a patient's local physician to draw the blood needed for the study or have studies that are conducted closer to where patients live.

Listen to patients' voice

Through advocacy, we engage with patient groups in a number of ways, including one-on-one discussions, advisory boards and patient events.

[Click here for more information.](#)

https://www.daiichisankyo.com/our_stories/detail/index_4242.html

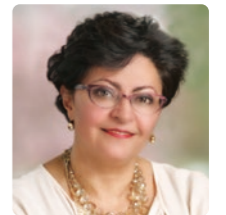
Closing the knowledge gap

We are working with the original authors of scientific peer reviewed articles to write them in lay terms, making access to science available for cancer patients and their caregivers in Europe and the United States.

A global commitment

We established a Patient Focused Forum, a network of advocates which includes Daiichi Sankyo representatives from the many countries where the company has a presence. We will deepen our relationships with various patient groups around the world to understand the true needs of patients.

The patient voice is stronger than ever, and patients have much to say about their expected quality of life and survival aspirations.



Gissoo DeCotiis
Global Oncology Medical Affairs,
Global Head of Advocacy &
Strategic Relations

Patient Journey Card

Our passion and compassion are what drive us every day, regardless of our roles. To have compassion, we must understand our patients' experiences, challenges and perspectives. To help create this connection, we created sets of Patient Journey Cards* and provided them to certain employees, each card featuring a glimpse into a real patient story. We encourage our employees to select a card each morning and keep it with them during the day as a reminder of the meaning of what we do.

*All individuals featured on our Journey cards are real patients who agreed to share their stories with us.



Clinical Trials



Providing access to clinical trial information

We disclose our clinical trials on our Clinical Trial Information Disclosure website and set up a contact for clinical trials so that patients can easily access to the clinical trial information they are seeking. In addition, we publish clinical trial results summaries in plain language for patients who have participated in our clinical trials.

Click here for more information. https://www.daiichisankyo.com/rd/clinical_trials/list/

Reducing the burden on patients

In order to reduce the burden on patients participating in clinical trials and to help them understand the trial more accurately, we have introduced patient-reported outcomes (ePRO) and video explanations of consent documents (eConsent) by using digital technologies in several clinical trials. Such new technologies are also working to reduce the number of visits and ensure sufficient time for patients to understand the clinical trial. In addition, we are taking on new initiatives to make it more comfortable for patients to participate in clinical trials, such as reflecting the opinions and thoughts of patients in the clinical trial-related materials we provide.

Delivering innovative new drugs faster

With the aim of delivering new drugs as quickly as possible, we pushed forward with clinical trials even during the pandemic, and introduced a "Direct to Patients" system that enables patients to receive or be administered investigational drugs at home or at a nearby hospital without having to visit the clinical trial site. In this way, we ensured that patients can continue to participate in clinical trials even amid the COVID-19 pandemic.

Expanding access to investigational drugs

In countries and regions where our drugs are not yet approved, we provide certain investigational drugs through Expanded Access Program or similar early access programs to eligible patients with a serious or life-threatening disease or condition, for which all currently available treatment options have been exhausted and enrollment into a clinical trial is not possible.

For example, in the treatment program that ensures the early delivery of *Enhertu*[®] to patients in countries and regions where *Enhertu* is not yet approved, we established a special risk management system to ensure patient safety.



Drug Formulation

Development of patient-friendly dosage forms

With the determination to support the safety and security of patients with drugs that are easy to take and use, we continue to develop patient-friendly dosage forms, making full use of the drug formulation technologies we have cultivated over the years. To date, we have developed and launched orally disintegrating tablets for anticoagulants and nebulizer formulations of anti-influenza agents as dosage forms that are easy for patients to take. We have also improved convenience by launching generic products with innovations in drug formulation and packaging. At the same time, we are pursuing continuous medication support for patients, as well as safety and security for healthcare professionals and caregivers.

Clinical Safety & Pharmacovigilance

Providing safety information in a more understandable and accessible manner

With the aim of supporting the safety and relief of patients, we are working to create and provide materials related to safety information, reflecting the needs of patients identified through healthcare professionals. For example, in the US, we are updating and improving the Patient wallet card/Patient brochure*¹ in a timely manner. Furthermore, in Japan, we are working to improve access to information, for example, by posting a list of Drug Information Sheets on our website. We are also collecting and analyzing information on safety and efficacy of our products in the real world after product launch, and publishing the results in articles and at academic conferences. As above examples, we are working on activities that are appropriate to the specific circumstances in each country.



*¹ Materials designed to provide patients with product-related information in an easy-to-understand manner.



Digital Therapeutics (DTx*²)

Providing DTx

We are working to develop DTx with the will to provide personalized healthcare solutions that closely align with the life journey of each patient and individual. We are continuously surveying the challenges and needs of patients to reflect them in our DTx development, and are aiming to use DTx to fill in the gaps in patient treatment, including when they are at home, and to help them improve their physical, mental, and social well-being. As a first step, we are working to develop DTx in the field of oncology toward obtaining medical device approvals and insurance coverage as early as possible (clinical research is scheduled to begin in FY2022).

*² We define DTx as software solutions that have evidence-based therapeutic capabilities in providing medical interventions directly to patients to prevent, manage, or treat a medical disorder or disease, and are developed to be reviewed and approved by regulatory bodies as a medical device (manufacturing and marketing approval).



Social Contribution Activities

Supporting cancer patients and their families

With the aim of facing cancer together with the entire community and supporting cancer patients and their families, we participate in Relay for Life Japan (RFLJ), an initiative to get closer to patients and support their fight against cancer. In FY2021, over 100 Daiichi Sankyo Group employees and their families participated online in RFLJ Ochanomizu, walking around the country and making donations based on the number of steps taken.

Message from the CFO

We will work to optimally manage resources to achieve sustainable growth in corporate value and shareholder value

Hiroyuki Okuzawa

Director, Senior Executive Officer,
Head of Corporate Planning & Management Division, CFO



Review of FY2021

Looking back on my first year as CFO, FY2021, the first year of our current 5-year business plan (FY2021–FY2025) was a very important year for us as we steadily worked to achieve our annual performance targets and began reforming our management system in order to shift to a business model with a focus on our FY2025 targets and 2030 Vision. In the first year of the current 5-year business plan, the revenue of existing mainstay products such as anticoagulant *Lixiana*®, pain treatment *Tarlige*®, and iron deficiency anemia treatment *Injectafer* increased steadily, and the launched market of *Enhertu*® expanded to 25 countries and regions as part of our efforts to “maximize 3ADCs,” which is one of the pillars of the strategy for the current 5-year business plan. As a result, revenue rose substantially year-on-year, and core operating profit, which indicates ordinary profitability, and operating profit both grew at double-digit rates. In addition, positive results from two clinical trials of *Enhertu*, DESTINY-Breast03 and DESTINY-Breast04, which are the drivers for achieving our current 5-year business plan targets, have given us confidence in our future growth.

As for FY2022, we have formulated a plan to absorb the performance impact of measures to curb drug costs in Japan and overseas, while securing R&D investment to accelerate the R&D of 3ADCs including *Enhertu*, and to steadily advance toward achieving our current 5-year business plan targets. In addition, we have begun to enhance our budget management in order to further improve the consistency between our current 5-year business plan and the single-year targets and business plans formulated in light of the latest changes in the business environment. By accurately grasping the latest changes in the business environment and linking positive changes to business opportunities in a timely manner, as well as by incorporating measures to reduce the impact of any negative changes, we will maximize business performance by ensuring flexible resource allocation through

annual updates to the 3-year forecast.

As *Enhertu*'s development progresses and sales expand, we are transforming our business model from one anchored in the cardiovascular field to one that delivers oncology drugs to patients on a global scale. The oncology field is a therapeutic area where the global standard of care continues to change rapidly, and operations need to continue to evolve in a dynamic manner. To this end, we must speed up and improve sound decision-making at the global level. We are holding Executive Management Committee meetings more frequently than in the past in order to facilitate discussions by global leaders and to ensure the appropriate delegation of authority. In particular, in the Portfolio Prioritization of clinical development projects, we review the frequency and timing of meetings and make agile decisions so that supply plans and investment plans for the next fiscal year can be formulated based on the results of the rapid and integrated prioritization process, which combines science and business perspectives.

Furthermore, as part of our efforts to strengthen the management foundation that supports the four strategic pillars of the current 5-year business plan, we have launched “Project 4D (Data Driven Decision making),” which aims to achieve data-driven management for flexible decision-making based on prompt and accurate recognition of current issues. We are making steady progress in standardizing and systemizing operations related to management information creation on a global basis.

Moreover, the CFO is in charge of promoting risk management, and in FY2021, in light of the emergence of dispute related risks such as the Seagen matters and other cases, we have been working to centrally manage major disputes under the risk management system on a global basis in order to balance risk management and thorough information management. In addition, we reevaluated existing cases and reconfirmed whether or not there were any new cases.

Forecast for FY2022

For FY2022, we expect consolidated revenue of ¥1,150.0 billion (+10.1% vs. FY2021), core operating profit of ¥105.0 billion (+15.9% vs. FY2021), and operating profit of ¥105.0 billion (+43.8% vs. FY2021). In terms of foreign exchange rates, we assume exchange rates of ¥130 to the US Dollar and ¥140 to the Euro. For depreciation of ¥1 against the US Dollar, we expect an increase of ¥2.5 billion in revenue and a decrease of ¥0.5 billion in operating profit, and for the Euro, we expect an increase of ¥1.2 billion in revenue and an increase of ¥0.3 billion in operating profit. As a result, we expect to see an increase of approximately ¥55.0 billion in revenue and a decrease of approximately ¥6.0 billion in core operating profit due to foreign exchange impact in FY2022.

Table 1: FY2022 Forecast and Key Drivers

In FY2022, we will place the highest priority on accelerating the development of 3ADCs and boosting sales growth in order to achieve our current 5-year business plan strategy to “maximize 3ADCs.”

- In order to bring *Enhertu* to as many patients as possible, we will accelerate our efforts to achieve market penetration and add new indications through our strategic alliance with AstraZeneca. Currently, sales are growing rapidly driven by market penetration in the United States, Europe, Japan, and other countries where the drug has been launched, and we plan to add five new indications in the U.S. and Europe in FY2022. Taking into account the recognition of regulatory milestone payments from AstraZeneca associated with the approval of these new indications and the increase in product sales driven by accelerated market penetration in each region, we expect *Enhertu* sales to double from the previous fiscal year to reach ¥159.9 billion. Excluding upfront payments, development milestone payments, and other deferred income, we expect *Enhertu* product sales to rise from ¥65.4 billion in FY2021 to ¥128.4 billion in FY2022.

Graph 1: *Enhertu* Sales

Table 1: FY2022 Forecast and Key Drivers

FY2022 Forecast	Key Drivers
Revenue: ¥1,150.0 billion (+10.1% vs. FY2021)	Sales of mainstay products such as <i>Enhertu</i> and <i>Lixiana</i> are expected to rise, despite negative factors such as the NHI price revision in Japan and the end of the <i>Nexium</i> ® sales partnership.
Core operating profit: ¥105.0 billion (+15.9% vs. FY2021)	Expecting higher revenue and an increase in gross profit driven by an improvement in the cost of sales ratio stemming from a change in product mix to offset higher expenses associated with the concentrated allocation of resources to the oncology business, including an increase in profit-share payments to AstraZeneca for <i>Enhertu</i> and expansion of development plans for 3ADCs.
Operating profit: ¥105.0 billion (+43.8% vs. FY2021)	No temporary income or expenses expected

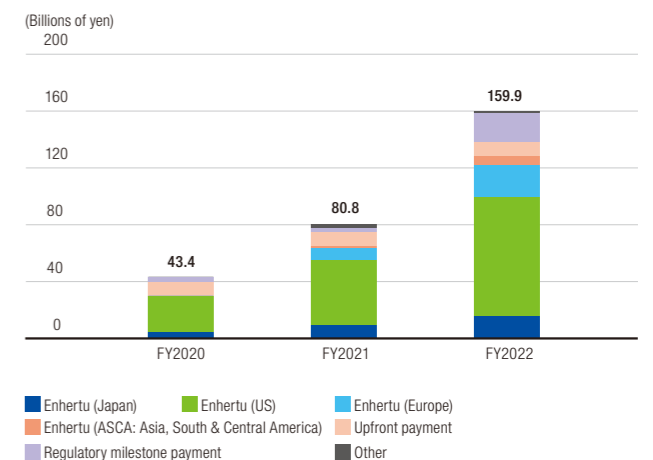
- We are also conducting many clinical trials for *Dato-DXd* and *HER3-DXd*, and will promote their development to promptly provide new options for cancer treatment by obtaining approval and expanding approved indications for each stage of treatment for various types of cancer.

With regard to “profit growth for current business and products,” *Lixiana* is growing steadily in Japan, Europe, and the Asia, South & Central America (ASCA) region, and has surpassed its immediate target of ¥200 billion in global sales for FY2021 ahead of schedule. In FY2022, we forecast sales to grow by 15.6% year-on-year to ¥237.7 billion. In Japan, we received approval in August 2021 for additional dosage and administration for the prevention of stroke and systemic embolism in elderly patients with non-valvular atrial fibrillation who are at high risk of bleeding, and plan to expand sales in Japan from ¥92.5 billion in FY2021 to ¥104.3 billion in FY2022.

Product transfers and other initiatives are progressing in each region, and we are making steady progress in transforming toward a profit structure focused on new drugs. Going forward, we plan to shift to a business structure that supports sustainable growth by expanding the area where our strengths overlap with the expectations from society.

Other important initiatives include the development of a COVID-19 mRNA vaccine (*DS-5670*). In light of the vaccine situation, we have placed the highest priority on conducting trials in Japan to confirm the booster effect (third vaccination) and have initiated a Phase 1/2/3 clinical trial in January 2022 aimed at providing additional doses to previously vaccinated individuals. In September 2022, we also initiated a Phase 3 clinical trial on unvaccinated healthy adults in Japan. We will do our best to supply a Japan-made mRNA COVID-19 vaccine as a Japanese pharmaceutical company in the vaccine business with the aim of bringing the vaccine to market as soon as possible.

Graph 1: *Enhertu* Sales



*Includes co-promotion sales in countries where AstraZeneca records sales.

Cash Allocation for the Current 5-year Business Plan

During the current 5-year business plan period, we expect to allocate approximately ¥2.8 trillion in cash, which is the cash on hand at the beginning of the current 5-year business plan plus the operating cash flow before R&D expenses over the 5-year period. Of this amount, approximately ¥1.5 trillion will be allocated to R&D expenses as an investment for growth, mainly for 3ADCs, and approximately ¥500 billion will be allocated for capital investment, mainly to enhance our supply capacity for DXd-ADCs. In terms of shareholder returns, we plan to maintain the current dividend of ¥27 per share of common stock and increase the dividend in line with profit growth, while allocating cash in a balanced manner to investments aimed at building further growth pillars based on progress in the pipeline and flexible acquisition of own shares.

• R&D investment

In the current 5-year business plan, we set a new KPI to achieve a core operating profit ratio before R&D expenses of 40% in FY2025. The aim of this is to more accurately and concretely understand our ordinary profitability as a company and our earning capacity in our core business, as well as to flexibly determine the allocation of R&D investment in accordance with the potential of our pipeline based on our “ability to finance drug discovery,” in other words, our ability to fund R&D investments for sustainable growth.

Maximizing 3ADCs including *Enhertu* is the most important strategic pillar of our current 5-year business plan, and we plan to expand R&D investment centered on 3ADCs by ¥52.9 billion, from ¥254.1 billion in FY2021 to ¥307.0 billion in FY2022. In addition, we have confirmed initial efficacy signals in Phase 1 clinical trials for our fourth and fifth ADCs, *DS-7300* and *DS-6000*, and have positioned them as “Rising Stars,” the new growth drivers following 3ADCs, and are promoting their development. Furthermore, as part of our multi-modality strategy, we have made progress in establishing LNP-mRNA technology through vaccine development and are making steady progress in our efforts to select a post-DXd-ADC modality. We will continue to invest in R&D to identify and build further growth pillars using our proprietary ADC technologies and new modalities.

• Capital investment

Taking into account our 3ADCs launch plan and progress in the development of DXd-ADC, which will follow *Enhertu*, we plan to allocate up to ¥300 billion in capital investment to our own production facilities in Japan and overseas, and to external contract manufacturing organizations (CMOs) by FY2025. Capital investment aimed at supplying ADC products during the current 5-year business plan period is progressing steadily, and we will determine investment allocation according to demand and work to expand ADC supply capacity in order to strengthen our production system with a view to supplying ADC products in FY2026 and beyond.

Implementing Management Practices that Enhance Capital Efficiency to Maximize Shareholder Value

We will strive to improve capital efficiency and further enhance shareholder returns in order to maximize shareholder value.

• Capital efficiency improvement (FY2025 target: ROE of 16% or more)

We aim to achieve a ROE of 16% or more in FY2025 by increasing profitability through growth in 3ADCs and improving capital efficiency through flexible acquisition of own shares, and other measures. Our ROE in FY2021 was only 5%, but when analyzing our Group's ROE trends, there was no significant change in total capital turnover or financial leverage, and the biggest impact factor was net profit margin, which was mainly influenced by continued up-front R&D expenditures. We plan to achieve substantial revenue and profit growth by further growing 3ADCs, maximizing earnings from *Lixiana*, and shifting to a profit structure focused on new drugs by quickly ramping up *Tarlige*, *Nilemdo*® / *Nustendi*®, and other drugs, as well as by optimizing the cost of sales and expenses. In addition, our equity ratio as of the end of FY2021 is 60.8%, which ensures sufficient financial safety, but we believe this is near the upper limit from the perspective of capital efficiency, and we intend to maintain this level through flexible acquisition of own shares and other

measures. We have been reducing our non-core assets by selling non-business fixed assets, dissolving cross-shareholdings, and selling current products.

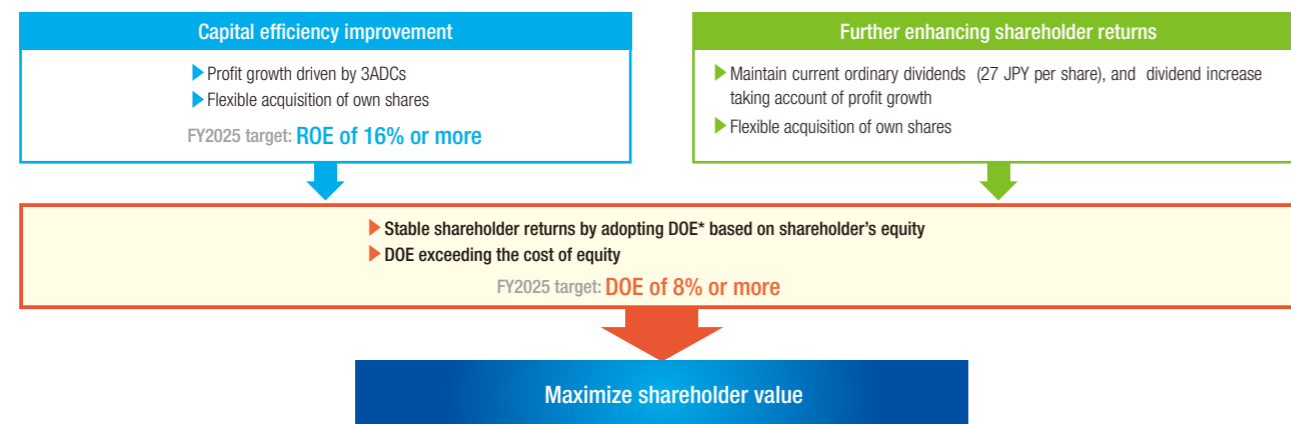
With regard to cross-shareholdings, we have adopted a policy of not holding listed stocks in principle unless we determine that it will help maintain and strengthen long-term business relationships and enhance our corporate value, and we will continue to sell stocks that we cannot reasonably justify owning. Regarding real estate, we sold our Osaka logistics center in FY2021. Going forward, we will continue to make decisions on whether or not to sell real estate based on its importance to our business activities and replaceability, as well as life cycle costs such as maintenance and renovation costs and our business continuity plan (BCP), while also carefully taking into account appropriate timing. Furthermore, in FY2021, we signed an agreement to sell current products in the US and an agreement to sell our *Cravit* drug formulation and production company, Daiichi Sankyo Pharmaceutical (Beijing) Co., Ltd. in China. We will continue to work on reducing non-core assets, including by reviewing our business portfolio, to free up capital for growth investments and shareholder returns.

• Further enhancing shareholder returns

In order to maintain and expand our relationship of creating shared value with our shareholders over the long term, we believe it is essential to carefully consider dividends by combining capital efficiency and shareholder return with a strong focus on cost of capital. In line with this, we have adopted dividend on equity (DOE), which is calculated by multiplying ROE and dividend payout ratio, as a key indicator of shareholder return. In FY2025, we aim for a DOE of 8% or more, which is above the cost of shareholders' equity. By establishing DOE as an indicator, which takes shareholders' equity into account, we are committed to providing stable returns to shareholders, and we intend to maintain the current dividend of ¥27 per share of common stock and raise the dividend in line with profit growth, while also flexibly acquiring our own shares.

Figure 1: Shareholder return policy for the current 5-year business plan

Figure 1: Shareholder return policy for the current 5-year business plan



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

the success and development of a diverse range of people who create competitive advantages) by continuously enhancing our investment in human resource development. In addition, we will enhance the disclosure of our non-financial values and invisible assets. In FY2022, we reviewed our disclosure information based on the recommendations of the TCFD, and enhanced our financial impact and other disclosures in this report.

Figure 2: Daiichi Sankyo's Vision for ESG Management

Maximizing Corporate Value

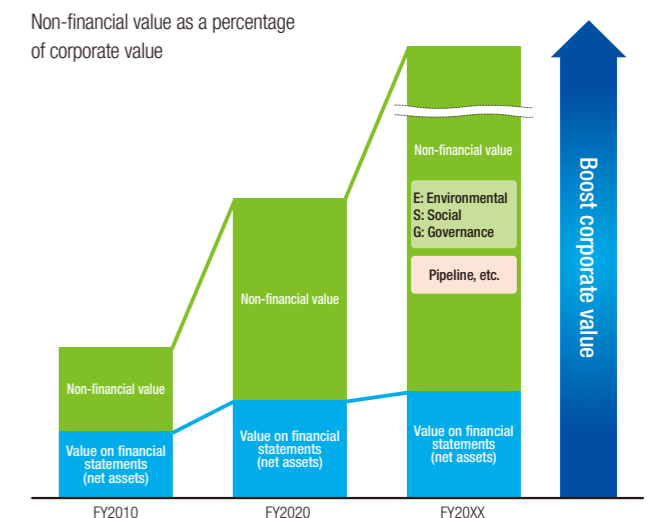
The ESG management that we drive represents “management based on a long-term perspective that enhances both financial and non-financial value by reflecting ESG elements in business strategies.” We believe that such long-term focused management translates into sustainable growth of both our company and society. As the capital market's evaluation of our product potential grows along with the positive clinical trial data coming out for *Enhertu* and our ADCs pipeline, our stock price began to rise from around 2018, reaching a market capitalization of over ¥6 trillion as of the end of June 2022. In comparison, the total equity of our consolidated statement of financial position was approximately ¥1.4 trillion and our Price Book-value Ratio was over 4x, which we believe is an indication that the market appreciates the value of our innovative pharmaceuticals pipeline as well as the non-financial value of our contributions to patients, shareholders and investors, employees, society, and the natural environment.

In response to various demands from society, such as addressing unmet medical needs and environmental issues, we will create economic and social value through materiality initiatives, etc., by leveraging our strengths in Science & Technology as our greatest source of competitive advantage. We will continue to engage in active dialogue with our shareholders, investors, and other stakeholders to improve our corporate management.

Non-financial Capital that Sustains the Competitiveness of our Business Model built on our Strength in Science & Technology

We believe that the assets that are most important for creating corporate value are not the ones that appear in our financial statements, but rather those that do not appear in financial statements. Our Japan-made business model built on our strengths in Science & Technology, our technologies and expertise in creating pharmaceuticals, and our patents on substances and drug formulations are unique and important assets that were established within the Group and were not purchased externally through M&A deals or product in-licensing. These can be described as non-financial values that can be called “invisible assets,” as they cannot be found in financial statements. Furthermore, we believe that human capital, including the researchers who create these assets, is the most important capital for sustaining our competitiveness, and to strengthen it, we will promote materiality on business (promoting

Figure 2: Daiichi Sankyo's Vision for ESG Management



Risk Management

The Daiichi Sankyo Group defines “risks” as those factors that may prevent it from achieving its goals and targets and that can be predicted in advance. We take appropriate measures against risks inherent in our corporate activities through retaining, reducing, avoiding, and transferring these risks; should risks materialize, we promote risk management to minimize impacts on people, society, and the Group itself.

Promoting Risk Management

We have established a risk management system that provides for appropriate responses to risks inherent in our corporate activities. As the Risk Management Officer (RMO), the Chief Financial Officer (CFO) is responsible for overseeing Group-wide risk management and promotes risk management in line with an annual cycle of formulating and executing business plans.

The heads of each unit independently manage risks to aid the achievement of their unit’s goals and targets. To this end, they identify risks; carry out assessments to evaluate the likelihoods and potential impacts of these risks; formulate and implement countermeasures, and provide information, training, and education related to their unit’s risk management.

The RMO assesses the risks reported by each unit and identifies those that could potentially have a major impact on the Group’s

corporate management as Material Risks at the Executive Management Committee (EMC) Meeting and the Board of Directors. (See the Conceptual Diagram of the Group’s Risk Level Classification below.) An individual is assigned responsibility for each Material Risk and coordinates with relevant organizations to ensure appropriate measures are carried out. If signs of a Material Risk occurrence are detected, the individual is instructed to swiftly provide relevant information to the RMO, who will then report to the CEO. In addition, the progress of countermeasures against Material Risks is monitored twice a year and risk measures are reviewed as necessary. If potential new Material Risks requiring urgent action are identified, they will be added to the list of Material Risks after the review by the EMC and the Board of Directors, under the supervision of the RMO.

Conceptual Diagram of the Group’s Risk Level Classification

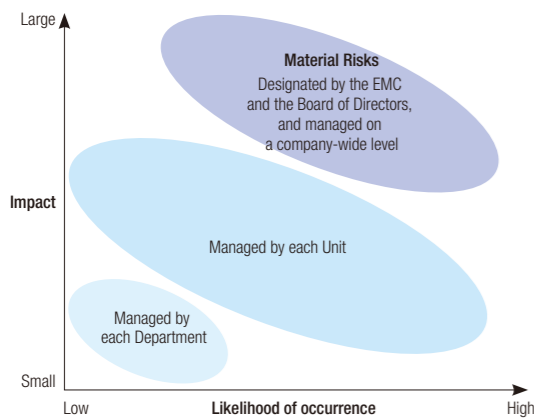
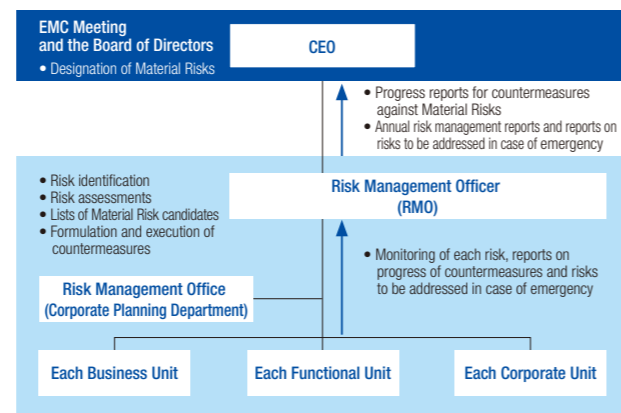


Diagram of Risk Management System



Overview of Risk and Crisis Management

Risk Management Under Normal Circumstances	Materialized Risks and Emergency Events
<p>Risk Management</p> <p>Definition of “Risk”: Factors that prevent the achievement of business goals</p> <p>Proper response to assess and analyze risks and then contain the risks within acceptable limits</p>	<p>Crisis Management</p> <p>Definition of “Crisis”: When risks have materialized and require emergency responses, or when risks have an extremely high likelihood of materializing</p> <p>Preparations to minimize impact and damage in the event of a crisis, and comprehensive response from occurrence to resolution</p>
<p>Business Continuity Plan (BCP)</p>	
<p>Definition of BCP: Plans to ensure that, in the event of unforeseen circumstances, critical business operations are either not disrupted or, if they are disrupted, are swiftly restored</p> <p>Examine the management resources required to continue critical business operations, establish recovery procedures, and ensure that plans are maintained and improved</p>	

Crisis Management

Under our Global Crisis Management Policy, we define “Crisis” as a collective term both for business risks that have materialized and that require immediate response, and for business risks that have an extremely high likelihood of materializing. Basic matters related to Crisis Management with the aim of minimizing losses caused by such events have been established. Our basic policy is as follows: “Upon the occurrence of a crisis, the Daiichi Sankyo Group shall respond immediately and precisely based on the following principles: ensuring the safety of the lives and communities of Daiichi Sankyo Group employees and related personnel; and fulfilling the responsibilities as a life science company. The Group shall endeavor to minimize human, social, or corporate losses and strive for business continuity and quick recovery.”

We have established a system that enables us to respond flexibly according both to the type of crisis—disasters and accidents; incidents including terrorism, scandals, and legal violations; information management issues; and product issues—and to the degree of impact

of the crisis. See the “Initial Response to Crisis” diagram below. In the event of a crisis, we will endeavor to prevent its escalation and to resolve it as soon as possible through swift and appropriate initial responses. We have clearly specified the reporting criteria and reporting line and established the Crisis Management Officer (either the CEO or a person designated by the CEO) and the Crisis Initial Response Officer (the Vice President of Corporate Affairs & Procurement). For crises with significant global impact requiring a Group-wide response, the Group will also share all relevant information with the Risk Management Officer (CFO). After the crisis has been resolved, we conduct an ex-post analysis to prevent its recurrence and improve crisis countermeasures.

To combat the effects of COVID-19, we have established a COVID-19 Emergency Response Headquarters, headed by the CEO, and coordinate continuously with relevant departments. Through this system, we intend to ensure both the safety of our employees and to maintain a stable supply of pharmaceuticals.

Initial Response to Crisis



Business Continuity Plan (BCP)

Daiichi Sankyo Group BCP Policy

In April 2022, we established the “Daiichi Sankyo Group BCP Policy,” a new global policy for formulating and implementing BCP. Based on this policy, we plan to establish systems that ensure a stable supply of pharmaceuticals of assured quality and secure the continuity of our research and development activities in order to respond to societal demands even in times of emergency. In addition, in response to the diversification of crises and the globalization of our business in recent years, we are engaged in a Group-wide review of our BCP. The review focuses on management resources and seeks to promote advance preparations and clarification of business continuity procedures.

BCP Measures in the Supply Chain

We revised our BCP in 2012 following the experiences in the aftermath of the Great East Japan Earthquake. Since then, we have continued to improve the BCP to ensure effective response measures are taken in the event that a risk materializes; to this end, we have reviewed the list of drugs for which supply should be prioritized and updated disaster plans at our production sites, in line with revisions to national disaster response plans and prevailing societal

needs. We are also working to implement continuous improvements that enable us to cope with the growing complexity and globalization of production and logistics systems. Our list of pharmaceuticals for which supply should be prioritized includes those that are used by a large number of patients, that are needed in emergencies, or that cannot be substituted by other drugs and is reviewed on a regular basis to ensure a system that can provide a continuous and appropriate supply of necessary drugs when risks occur.

To realize a continuous and stable supply of pharmaceuticals by tracing back the manufacturers of our products accurately and selecting appropriate suppliers with BCP in our mind, we carry out manufacturer surveys and supplier assessments every three years, with the previous surveys and assessments completed in FY2020. In FY2021, we commenced manufacturer surveys to check the traceability of the raw materials procured by our overseas Group companies. We will use the results of these surveys to identify issues, carry out improvements, and establish robust supply chains.

Major Risks and their Management

The table below lists the Major Risks identified by the Group's Material Risks and management risks at each unit and department management level. In identifying these risks, we have taken into consideration the potential impact they may have on investment decisions.

Area	Material Risk	Risk Summary	Status of Risk Management
Research and Development / Alliances with Partner Companies	✔	For new drug candidates, risks include: the suspension of research and development—in particular for trastuzumab deruxtecan (T-DXd / DS-8201; anti-HER2 ADC; product name: <i>Enhertu</i> ®) and datopotamab deruxtecan (Dato-DXd / DS-1062; anti-TROP2 ADC), on which we are collaborating with AstraZeneca; changes to approval review criteria resulting in failure to obtain approval; and changes to the terms and conditions of our R&D alliances, or their termination	<ul style="list-style-type: none"> Establish a Joint Executive Committee with AstraZeneca, create a unified vision between the two companies for each area of collaboration, and use this vision to formulate and manage the progress of strategies Ensure constant communication with pharmaceutical regulatory authorities in each country, as a means of managing and reducing pharmaceutical risks
Pharmaceutical Side Effects and Quality Issues	✔	Pharmaceutical products may be recalled or withdrawn from the market due to quality issues or unforeseen side effects; significant expenses may be incurred due to resulting allegations of injury and other matters of liability.	<ul style="list-style-type: none"> Perform objective assessments, reviews, and analyses of safety management information—including information on side effects—collected from both Japan and around the world, and share this information with health care professionals in an appropriate manner Provide all employees with annual training in safety management information
Overseas Business Expansion	✔	Operations overseas may be impacted by a number of factors, including: political instability; deterioration of economic circumstances; contraventions of local laws and regulations; and worsening labor-management relations	<ul style="list-style-type: none"> Appoint risk management officers at group companies outside of Japan, and collect and share information on a regular basis When a problem occurs, the risk management officer serves as a hub for coordinating with local Group companies, aiding prompt problem resolution
Manufacturing and Procurement	✔	Risks affecting manufacturing and procurement activities may include damage to Group-owned facilities, impairment of social infrastructure, and technical issues	<ul style="list-style-type: none"> Establish systems to rapidly restore operations in the event of an emergency and to ensure stable supplies of pharmaceuticals with assured quality for the continued provision of medical services Ensure distribution of manufacturing and logistics bases, and install private electricity generators Strengthen IT foundations, such as by ensuring redundancy in core systems
Environment and Safety		Risks include exposure to chemical substances for people both internal and external; adverse impacts on the environment through soil and air pollution; fragmentation of supply chains for pharmaceuticals due to extreme weather disasters, global warming, and other phenomena related to climate change; and rising manufacturing costs negatively affecting the stable supply of pharmaceuticals	<ul style="list-style-type: none"> Establish and ensure continuous monitoring of independent management standards that are more rigorous than those set by local authorities Disclose information according to recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)
Intellectual Property Rights	✔	Third party claims of patent infringement or other intellectual property claims against the Group, which could interrupt the Group's business or result in legal action; the Group itself may initiate legal action if a third party is found to have infringed Group-owned intellectual property rights	<ul style="list-style-type: none"> Maximize value and minimize risks for the creation and protection of intellectual property Establish systems to minimize the impact of intellectual property disputes on business by working together with internal and external parties
Litigation	✔	Lawsuits may arise over pharmaceutical side effects, product liability, labor and employment, and fair trade-related litigations, among others, may arise	<ul style="list-style-type: none"> Minimize legal risks and maximize business opportunities from the perspective of laws and regulations, contracts, and dispute prevention and resolution Maintain and enforce preventive measures against compliance violations
Laws and Regulations and Regulatory Trends to Limit Healthcare Expenses	✔	Negative impact may arise from administrative measures related to drug price revisions, the healthcare system, and health insurance	<ul style="list-style-type: none"> Revise wholesale prices and rebates in light of NHI drug price system reforms and distribution improvement guidelines Monitor drug price policies across the world Draw up and implement appropriate sales conditions
Legal Violations	✔	There is the risk of serious legal violations at the individual level, including personal misconduct of executives and employees	<ul style="list-style-type: none"> Monitor business operations to detect inappropriate activities as early as possible Prevent violations through strict compliance with laws and regulations and through educational and awareness-raising activities
Financial Market and Exchange Rate Fluctuations	✔	Negative impact may result from sluggish stock markets, interest rate trends, and exchange rate fluctuations	<ul style="list-style-type: none"> Reduce cross holdings Implement mid-term reviews of pension fund asset allocations Execute currency hedging transactions
IT Security and Information Management	✔	Network virus infections and cyberattacks may result in system shutdowns or leakages of personal data and other confidential information	<ul style="list-style-type: none"> Appoint CIO*1 and CISO*2 to establish global organizational system in the field of information Provide employees with training in information management Establish security systems with defense functions and infringement-detection and countermeasure functions Strengthen and improve operation of information security infrastructure
Recoverability of Deferred Tax Assets	✔	Negative impact may result from reductions in taxable income, deductible temporary differences due to tax reforms, and reassessment of tax loss carryforwards	<ul style="list-style-type: none"> Review future tax income as appropriate in light of changes to business environment
Securing Talent		Increasingly competitive job markets may result in an inability to secure either sufficient talent in IT-related fields or employees with the high levels of expertise required for various roles	<ul style="list-style-type: none"> Secure talent by strengthening systematic recruitment activities and incorporating diverse approaches Develop and secure talent through internal training programs Promote both One DS Culture and Inclusion & Diversity(I&D), and analyze and improve employee engagement through global engagement surveys
Impact of COVID-19	✔	Delays of goods in the supply chain caused by the spread of COVID-19 may affect the stable supply of products; delays to ongoing clinical trials and protocol violations resulting from disruptions to clinical settings may harm future product value	<ul style="list-style-type: none"> Maintain COVID-19 Emergency Response Headquarters Ensure stock of pharmaceuticals Continue and modify clinical trials with the highest priority on the safety of participants

*1 Chief Information Officer
*2 Chief Information Security Officer

Information Management and Security Initiatives

Establishing and Strengthening Information Governance Structures

We are endeavoring to build an information security management system based on ISO/IEC27001 at all Group companies, to provide our customers with a stable supply of products and information. We have appointed a Chief Information Officer (CIO) to oversee global specialized functions in the field of information; we have also appointed a Chief Information Security Officer (CISO), who is responsible for overseeing management of confidential information and promoting information security measures. In this way, we are promoting the establishment of policies and rules related both to new digital technologies and to new laws and regulations. To ensure information security as part of our business strategy for both the entire Group and each organization, we are working with the CIO to further strengthen our measures. In addition, through regular employee training, we are seeking to improve the information literacy and information-related ethics of all our employees so they can properly understand information security and behave accordingly.

Strengthening Cyber Security Measures

The Computer Security Incident Response Team (CSIRT), whose purpose is to respond appropriately to the cyber threats that have been increasing in recent years, is operated under the leadership of the CISO and monitors security 24 hours a day with the cooperation of external security partners. We set a system in place where incidents are promptly handled when they occur.

We believe employee awareness is critical to protecting our information assets from security threats. We therefore are continuously raising awareness and alerting our employees by carrying out educational trainings which are tailored to individual Group companies on the subject of information security such as targeted email attacks and other techniques used by cyber criminals. When it comes to the threat of cyberattacks, we also believe it is vital to work together with other organizations both inside and outside the life science industry. We collaborate with external security teams, such as specialist organizations and CSIRTs at other companies, to collect cyber security information, and we use this information to formulate security measures for our Group. By building cooperative relationships with external parties, we are continuing our work centering on the CSIRT to contribute to the improvement of cyber security not only within the Group but also in society.

Measures against Cyberattacks

We are working to strengthen our information security infrastructure, including defense functions and breach detection/response functions, and improvements in information security operations in order to enhance our global countermeasures against cyberattacks on our IT systems.

In FY2021, we began measuring our security level using the security rating service. We identify assets that are vulnerable to attackers and strengthen our response to vulnerabilities that could be exploited by attackers. We are also conducting desktop drills for response and recovery functions, detecting and identifying potential issues with our incident response, and working to strengthen and improve these issues globally.

Personal Information Security Initiatives

We have established the "Daiichi Sankyo Group Privacy Policy" to clarify globally uniform standards for the protection of personal information. We conduct ongoing employee education and monitoring of this policy. In FY2021, in response to the Amendments to the Act on the Protection of Personal Information, which came into effect in April 2022, including mandatory disclosure of records related to the provision of personal information to third parties in Japan and tightened regulations on the provision of personal data to third parties overseas, we and our Group companies in Japan updated legal compliance systems by revising our policies and procedures for handling personal information and updating notices related to personal information published on our corporate websites in Japan. In addition, we and our Group companies in Japan are endeavoring to improve awareness of how to handle personal information appropriately: training programs for executives by external lecturers to increase their understanding of the Act and to have them learn about points to consider as members of executive management; information sessions on the subject of amendments both to laws and Group regulations are also held for persons in charge of personal information security. At overseas Group companies, we also have implemented training sessions to improve employee understanding of personal information security. In order to prevent serious compliance violations of the Act on the Protection of Personal Information, we will continue to engage in continuous risk reduction initiatives and early detection initiatives.

Responses to Geopolitical Risks

With economic friction, conflicts, and other geopolitical risks on the rise, we seek to swiftly grasp and minimize any impact on our business. Also, we pay close attention to changes in such risks, so that we can meet the expectations of our stakeholders and fulfill our responsibilities to society.

We are engaged in R&D, manufacturing and sales activities across the world, and collaboration with numerous overseas business partners is essential to carry out our business activities. Risk management officers at our Group companies and other organizations in Japan and overseas regularly collect and share information, enabling us to respond promptly to any risks that have the potential to impact our business activities.

While we have measures in place against political instability and worsening economic conditions, we are working to further strengthen our measures in numerous fields, including R&D and alliances with other companies; pharmaceutical side effects; overseas business expansion; and manufacturing and procurement. To manage geopolitical risks pertaining to the Ukraine-Russia situation, we quickly established an emergency response team headed by the CEO to assess its impact on the entire Group. We intend to carry out crisis management should events occur requiring urgent responses, while our Risk Management System is executing and monitoring measures against potential subsequent risks.

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*[®] 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



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.

● 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.

Corporate Governance

In addition to creating a management structure that can respond speedily and flexibly to changes in the business environment, the Daiichi Sankyo Group is working to secure legal compliance and management transparency and to strengthen oversight of management and the conduct of operations. We place great importance on building up a corporate governance structure that is responsive to the trust of our stakeholders, especially our shareholders.

Changes in the Corporate Governance Structure

Since the merger of Sankyo Co., Ltd. and Daiichi Pharmaceutical Co., Ltd. in 2007, Daiichi Sankyo has established the Nomination Committee and Compensation Committee as voluntary committees. A female Director has been appointed since 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 has served as the Chairperson 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, we will continue to work on enhancing our corporate governance systems, as well as securing and improving the functions and effectiveness of the Board of Directors.

Changes in the Corporate Governance Structure

	2007	2014	2016	2017	2018	2019	2020	2021	2022	
Chairperson of the Board	Chairman	CEO				Chairman	Outside Director			
Directors	Outside	4 persons					4 persons, including 1 female member			
	Inside	6 persons					5 persons			
Audit & Supervisory Board Members	Outside	2 persons		2 persons, including 1 female member		3 persons, including 2 female members				
	Inside	2 persons								
Nomination Committee	2 Outside Directors and 1 Inside Director		4 Outside Directors		4 Outside Directors (Observer: 1 Outside Audit & Supervisory Board Member)					
Compensation Committee	2 Outside Directors and 1 Inside Director		4 Outside Directors		4 Outside Directors (Observer: 1 Outside Audit & Supervisory Board Member)					
Compensation System (Incentives)	Short term: Annual performance-based bonus									
	Long term: Share remuneration-type stock option					Long term: Restricted share-based compensation				Clawback provision Long term: Medium-term performance-based share compensation
Corporate Governance Code	Explained 3 items immediately after applying the Code		Complied with all the items		Explained 1 item after revision		Complied with all the items			

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 our nine Directors are Outside Directors. Since June 2020, an Outside director has been appointed chairperson of Board of Directors.

To ensure management transparency, nomination of candidates for Director and Corporate Officer, successor plan of CEO and compensation thereof are deliberated on by a Nomination Committee and a Compensation Committee, respectively, which are established as voluntary committees. The Committees above are comprised by four Outside Directors and one Outside Audit & Supervisory Board Member participates as the observer in each committee. For audits of legal compliance and soundness of management, the Company has adopted an Audit & Supervisory Board system and established the Audit & Supervisory Board comprising five Audit & Supervisory Board Members, including three Outside Audit & Supervisory Board Members.

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 the Directors and the Audit &

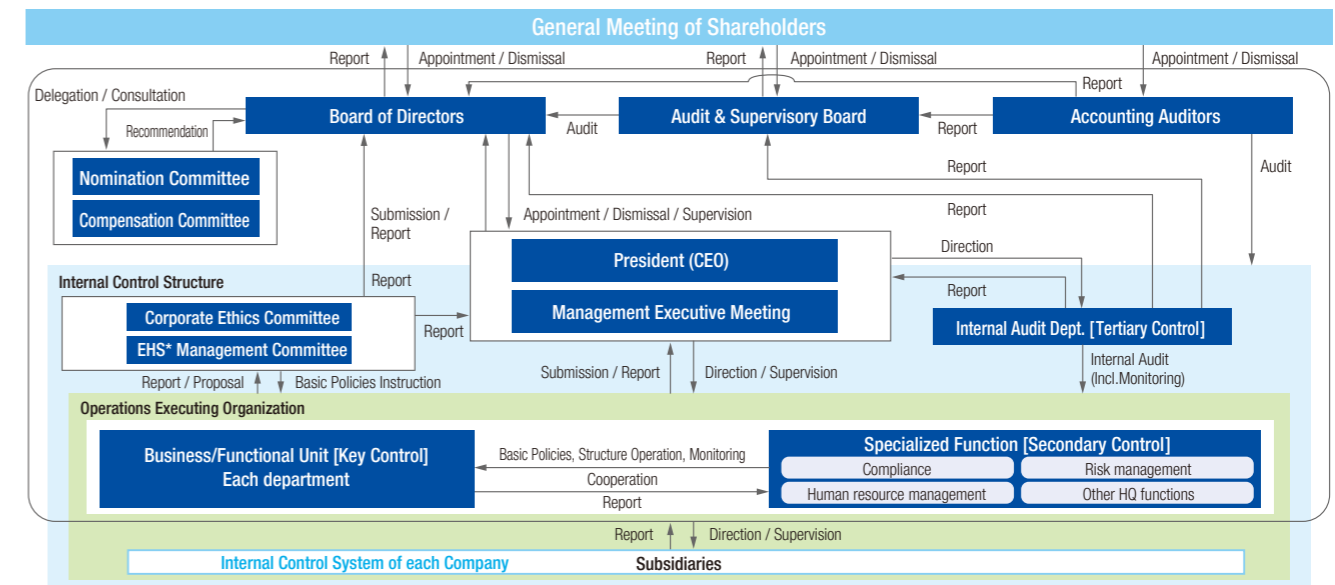
Supervisory Board Members.

Under the global management structure, the Management Executive Meeting with management unit heads as members is held as appropriate to deliberate on important matters related to the strategy, policy, and execution of group management, and to contribute to management decision-making.

The Company employs a Corporate Officer System which contributes to appropriate and swift management decision-making and the conduct of operations.

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 which consists 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 encompassing monitoring carried out by the Internal Audit Department (tertiary controls).

Overview of the Corporate Governance Structure



* Environment, Health, Safety

Nomination Committee, Compensation Committee, and Audit & Supervisory Board

	Nomination Committee	Compensation Committee	Audit & Supervisory Board
Chairperson	Outside Director	Outside Director	Audit & Supervisory Board Member
Composition	4 Outside Directors Observer: 1 Outside Audit & Supervisory Board Member	4 Outside Directors Observer: 1 Outside Audit & Supervisory Board Member	2 Audit & Supervisory Board Members 3 Outside Audit & Supervisory Board Members
Purpose	To deliberate matters required for the appointment, dismissal and reelection of the CEO, successor plan of the CEO, and nomination for Directors, Heads of Unit in the Global Management Structure and Corporate Officers at the request of Board of Directors, and contribute to the enhancement of management transparency and oversight functions	To deliberate matters required for a policy on compensation of Directors and Corporate Officers as well as the individual amounts of compensation at the request of Board of Directors and contribute to the enhancement of management transparency and oversight functions	To receive reports on important matters related to auditing, and then discuss said matters or make resolutions on them. (However, the Audit & Supervisory Board cannot prohibit an Audit & Supervisory Board Member from exercising their rights)
Number of meetings held in FY2021	10	11	15

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	15 members, including 13 internal representatives appointed by the Chairperson and an appointed external attorney who ensures that the committee operates in a transparent and reliable manner Observers: Audit & Supervisory Board Members and the Vice President of the Internal Audit Department	15 members, including Corporate Officers of the Group companies appointed by the Chairperson Observers: 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 constitute key management issues
Number of meetings held in FY2021	2	2

🗨️
Message from the Chairperson of the Board



Noritaka Uji
Chairperson of the Board
(Outside Director)

To enhance corporate governance, it is important for the Board of Directors to fully exercise its oversight functions from the perspective of separating execution and supervision, and—to demonstrate these functions—we are striving to activate discussions by a balanced selection of Board of Directors members who possess the necessary skills. We consider the selection of timely and appropriate agenda items and the suitable time allocation, and take plenty of time for discussion, and we have Outside Directors participate in Management Executive Meetings as observers. With these efforts, we are achieving more comprehensive discussions among Inside and Outside Directors. This year—in an effort to achieve the Daiichi

Sankyo Group's 2030 Vision by growing to become a truly global healthcare company—we will thoroughly discuss key topics such as our long-term strategy for DX and ESG as well as globalization.

Furthermore, as the external environment is dramatically changing, we should adopt not only the defensive governance, but also *offensive governance* to improve corporate value in the mid-to-long-term while considering healthy risks. To achieve our Group's Purpose, I would like to contribute to maximizing corporate value by supervising execution from the perspective of a representative of our shareholders and investors and further enhancing the effectiveness of the Board of Directors.

Requirements for Candidates for Directors

Directors shall meet the requirement of being personnel of excellent character and insight who contribute to maximizing the corporate value of the Group. Directors shall meet the requirements of being appropriate persons with respect to term of office and age, and of being suitably competent of performing timely and accurate judgment, looking at the changes in the business environment while giving importance to the continuance of management policies, etc.

Directors shall meet the requirements that they are the individuals with expertise, experience, and insight in one or more of the following fields: corporate management and management strategy, finance and accounting, science and technology, business strategy and marketing, global business, human resources and HR development, legal and risk management, sustainability and ESG, and DX and IT.

Directors shall meet the requirements that there shall always be Outside Directors included to strengthen the decision-making and supervisory functions, based on various perspectives. It is required that

Outside Directors have, in principle, no more than three concurrent positions as officers of listed companies, excluding the Company. Outside Directors and Outside Audit & Supervisory Board Members shall be confirmed to have no problems according to specific criteria on the judgment of independence.

Directors should attend Board of Directors meetings unless there are unavoidable circumstances and maintain an attendance rate of at least 75% or more.

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

Skill Matrix of the Board of Directors

The Company has identified the skills (knowledge, experience, and abilities) that Board of Directors should possess to properly fulfill its decision-making and management oversight functions, and has set up Skill Matrix that organizes the possession status of such skills by Directors and Audit & Supervisory Board Members.

In light of our Purpose, Mission, mid-to-long-term management direction and business strategy, the Company has identified the nine (9) skills given the functions Board of Directors should have to fulfill, aiming to realize the 2030 Vision "Innovative Global Healthcare

Company Contributing to the Sustainable Development of Society" as shown in the current 5-year business plan. The following table shows the composition of Board of Directors and the skills possessed by each Director and Audit & Supervisory Board Member.

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

Policies and Procedures for Appointment of Directors, 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 the CEO, as well as the appointment of Audit & Supervisory Board Members. When selecting the candidates for Directors, Board of Directors shall appoint the candidates after they have been sufficiently deliberated by the Nomination Committee, of which Outside Directors form a majority. The selected candidates for Directors and Audit & Supervisory Board Members shall be proposed for appointments at the General Meeting of Shareholders. CEO candidates are appointed in accordance with the succession plan, qualification requirement definitions, etc. that have been discussed by the Nomination Committee, and the appointment (including reappointment) of the CEO is determined by resolution of the Board of Directors following sufficient deliberation and subsequent recommendation by the

Nomination Committee.

If any Director is found not meeting 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.

Interview

Message from the Chairperson of the Nomination Committee



Kazuaki Kama
Outside Director
(Independent Director)

The Company's Nomination Committee, which has four Outside Directors as members and one Outside Audit & Supervisory Board Member as an observer, fully deliberates on the appointment and dismissal of Directors and CEO, as well as the appointment of Audit & Supervisory Board Members, and submit recommendations to the Board of Directors.

As we run the Committee, we will continue to pay attention to fairness and neutrality and further improve

transparency.

We recognize our challenges this year are to deepen discussions on the CEO succession plan, the optimal number and compositions of Board members, and enhancement of diversity.

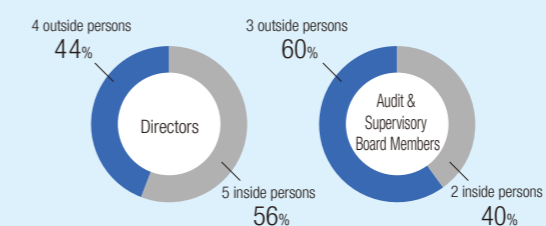
We would like to fulfill our Committee's role to realize the Company's Purpose, Mission, 2030 Vision, and current 5-year business plan.

Skill Matrix

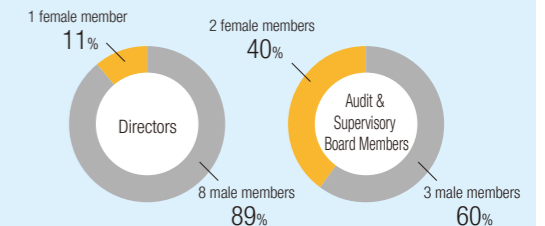
	Name	Outside Independent Director	Term of office	Board of Directors	Nomination Committee	Compensation Committee	Corporate Management/ Management Strategy	Finance/ Accounting	Science & Technology	Business Strategy/ Marketing	Global Business	Human Resources/ Human Resource Development	Legal/Risk Management	Sustainability/ ESG	DX/IT	Qualification	
Director	Sunao Manabe		8 years	○			●		●	●	●	●		●		Veterinarian	
	Shoji Hirashima		2 years	○			●	●	●	●	●		●				
	Masahiko Ohtsuki		2 years	○			●		●		●				●	Pharmacist	
	Hiroyuki Okuzawa		1 year	○			●	●		●	●	●					
	Takashi Fukuoka		—	○			●		●		●					Veterinarian	
	Noritaka Uji	○	8 years	○ Chairperson	○	○	●		●	●	●	●		●	●		
	Kazuaki Kama	○	3 years	○	○ Chairperson	○	●	●			●	●	●	●			
	Sawako Nohara	○	3 years	○	○	○ Chairperson	●		●	●				●	●		
	Yasuhiro Komatsu	○	—	○	○	○			●			●	●				Doctor
Audit & Supervisory Board Member	Ryoichi Watanabe		3 years	○			●	●					●				
	Kenji Sato		3 years	○					●			●	●				
	Yukiko Imazu	○	4 years	○								●	●			Lawyer	
	Masako Watanabe	○	1 year	○						●						Certified public accountant	
	Mitsuhiro Matsumoto	○	—	○								●	●				

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

Percentage of Outside Directors



Percentage of Female Board Members



Our *Independence Standards for Outside Directors* are published on the website. (Corporate Governance Report: P22, 23)

[Read more here](#)

https://www.daiichisankyo.com/files/about_us/governance/report/index/pdf/20220628_CG_Report_E.pdf



Approach to Director's Compensation

As of FY2021, the Company has reviewed its executive compensation system in order to set a compensation level that is at the upper level in the industrial sector, and increase the variable compensation ratio in

order to strengthen the incentives that motivate further increase of the value for the company.

Compensation Policy

Compensations to Directors are designed based on the following ideas.

- Compensation system with a compensation level that can secure and maintain excellent human resources
- Compensation system that motivates sustainable growth over the mid-to-long-term and contributes to the increase of the value of the

Company and shareholder value

- A transparent, fair and rational compensation system accountable to stakeholders

Level of Compensations

The level of compensations to Directors is set aiming to provide the high level compensations in the industrial circle, referring to the levels of other companies learned from the surveys of external specialist institutions. Specifically, the Company mainly compares 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.

Composition of Compensation for Directors (excluding Outside Directors)

It is designed to encourage management efforts from short-term and mid-to-long-term perspective and appropriately to be able to reward the results by the composition of four compensations such as basic, fixed compensation, annual performance-based bonuses, which is a variable compensation serving as short-term incentive, and restricted

share-based compensation and medium-term performance-based share compensation serving as long-term incentive. Retirement benefit system is not adopted.

Composition of Compensation for Outside Directors

Compensation to Outside Directors who are in charge of management oversight and are not in the position to take charge of business

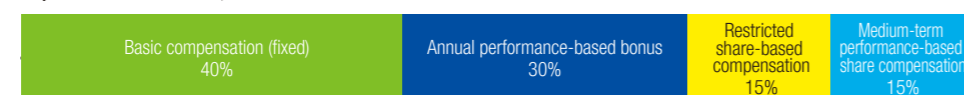
execution is only basic, fixed compensation. Incentive bonuses and retirement benefit system are not adopted.

Ratio of the Composition of Compensations

The composition of compensations to Representative Director, President and CEO is designed to have its ratio of 40% as basic compensation, 30% as annual performance-based bonuses, 15% as restricted share-based compensation and 15% as medium-term performance-based share compensation when achieving the performance target of 100%. The ratio of the composition of compensations of other Directors

(excluding Outside Directors) will be determined in consideration of the responsibilities and the level of compensation according to the ratio of composition of compensation of Representative Director, President and CEO. Compensation to Outside Directors is only basic, fixed compensation.

Representative Director, President and CEO



Outside Directors



Basic Compensation

Basic compensation to Directors shall be paid on one regular day of each month during their tenure, and the amount of individual

compensation is determined according to the compensations policy and the level of compensations.

Annual Performance-based Bonus (Short-term Incentive)

The amount of annual performance-based bonuses, which are short-term incentive remuneration, will be decided according to the degree of achievement of the earnings forecasts announced at the beginning of the fiscal year about revenue, core operating profit ratio*, and profit

attributable to owners of the Company, and the evaluation of goals and tasks which each Director set at the beginning of the fiscal year.

* Core operating profit ratio: an indicator of ordinary profitability calculated by excluding temporary income and expenses from operating profit.

The formula for calculating the amount of payment and mechanism of annual performance-based bonuses are as follows.

1. Calculation formula for annual performance-based bonus

$$\text{Bonus payment amount} = \text{Standard amount by position} * \text{Achievement of annual targets (revenue + core operating profit ratio + profit attributable to owners of the Company)} * \text{performance evaluation}$$

2. Performance evaluation

It will be converted into a coefficient and calculated according to the degree of achievement of each Director's goals and tasks set at the beginning of the fiscal year.


The performance evaluation of the Chairperson and the President will be determined after deliberation at the Nomination and Compensation Joint Committee.

For other Directors, the evaluation decided by the President after deliberation at the performance meeting shall be applied. The evaluation results of Directors will be reported to the Compensation Committee.

Restricted Share-based Compensation (Long-term Incentive)


The Company grants, every year in principle, shares with transfer restriction until the time immediately after resignation or retirement of a Director. The objective of the system is to give incentives to sustainably increase the value of the Company and to promote sharing the same value between shareholders and Directors for as long as possible by having the restricted shares. The total number of the ordinary shares

of the Company to be issued or disposed of is 240 thousand shares or less per year. When restricted share-based compensation is paid, monetary compensation receivables will be paid to Directors based on a resolution of Board of Directors of the Company. Directors will pay all of them as in-kind contribution assets, and they receive the Company's ordinary shares.



Interview

Message from the Chairperson of the Compensation Committee



Sawako Nohara
Outside Director
(Independent Director)

I am serving as the Compensation Committee Chairperson from this year. I believe the role of the Chairperson is to encourage free and open-minded discussion within the Committee, organize the discussion, make recommendations to the Board of Directors, and provide explanations to stakeholders.

This year, based on the current compensation system, we will verify the compensation system, compensation composition, and compensation level for Directors and Corporate Officers, and determine compensation amounts for CEO based on his performance evaluation. In particular, regarding the target achievement indicators for the medium-term performance-based share compensation system, which we introduced in order to promote

management that emphasizes the improvement of shareholder value in the mid-to-long-term, we will refer to the latest trends and benchmarks, especially related to non-financial indicators such as ESG indicators and research and development progress, and discuss, make decisions, and confirm results.

In addition, we would like to verify not only the compensation system for the Directors and Corporate Officers of the Company but also that of the top management of global organizations and major business companies, which can expand our discussions to how our Group-wide executives' compensation system, as well as human resource and compensation system for the entire Group should be.

Medium-term Performance-based Share Compensation(Long-term Incentives)

Medium-term performance-based share compensation, which is a long-term incentive compensation, will be a trust-type share compensation system that has the nature of performance share (performance-based share compensation) for 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 mid-to-long-term.

The indicators for the achievement of mid-term targets include 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 of 0% to 200% according to the degree of achievement of those targets.

Index 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 x 110%	Target: Expected value announced about 5-year business plan	Lower limit: Target x 90%
Core operating profit ratio before research and development expenses	20%	0~200%	Upper limit: Target x 120%	Target: Expected value announced about 5-year business plan	Lower limit: Target x 80%
ROE	20%	0~200%	Upper limit: Target x 140%	Target: Expected value announced about 5-year business plan	Lower limit: Target x 60%
Research and development progress	15%	0~200%	Research and development achievements (number of new indications for 3ADCs 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 x 150%	Target: Comparison result with TOPIX including dividend x 100%	Lower limit: Comparison result with TOPIX including dividend x 50%
Total	100%	0~200%			

* Abbreviation of Total Shareholder Returns

Clawback Provision

The Company will set forth a clawback clause that can request for the 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 that a

material accounting error or fraud, or record of a significant impairment loss occurs.

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

Compensation Governance and Decision-making Process

The Compensation Committee has been established as an advisory body to Board of Directors to ensure the appropriateness of compensation for Directors and the Corporate Officers and the transparency of the decision-making process. The Compensation Committee consists of only Outside Directors, with one Outside Audit & Supervisory Board Member participating as an observer, and the chairperson is appointed by mutual election of the members.

The Compensation Committee fully discusses the compensation system, the composition of the compensation, verification and review

of compensation levels for each position, target setting and result confirmation of annual performance-based bonuses and medium-term performance-based share compensation, and allocation of restricted share.

The amount of compensation for each individual Director of the Company is first deliberated by the Compensation Committee, and then based on the deliberation results, each type of the compensation will be determined by a resolution of Board of Directors within the total amount of compensation resolved at the General Meeting of Shareholders.

Our Approach to Audit & Supervisory Board Member Compensation

Given that Audit & Supervisory Board Members are in charge of the supervisory function and do not execute operations, their compensation, etc. consists only of basic compensation, which is fixed compensation.

The basic compensation level is set with reference to the level of compensation at the higher end of the industry, based on surveys of external professional institutions. Specifically, the Company primarily compares companies within the top 100 companies by market

capitalization among the companies listed on the Tokyo Stock Exchange and refers to the levels of major domestic pharmaceutical companies.

The compensation amount, etc. of individual Audit & Supervisory Board Members is determined based on the discussions by the Audit & Supervisory Board and with the unanimous consent of the Audit & Supervisory Board Members, within the total amount of remuneration decided on at the General Meeting of Shareholders.

Overview of the Compensation System

[Read more here](#)

https://www.daiichisankyo.com/about_us/governance/compensation/

Enhancing the Effectiveness and Functions of the Board of Directors

The Company utilizes the board evaluation in order for Board of Directors and Directors themselves 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 has conducted board evaluation of Board of Directors every fiscal year and addressed 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.

In FY2021, the Company conducted a board evaluation by a third-party organization for the first time.

Implementation Method of the Board Evaluation for FY2021

A questionnaire targeting all Directors and Audit & Supervisory Board Members was conducted, and they were also interviewed by a third-party organization.

The analyses thereof and results of the evaluation have been reported to the Company by the third-party organization. The Board

of Directors has discussed the analyses and contents of evaluation by the third-party organization, status of improvement from the previous fiscal year, issues and matters for improvement for the functions and effectiveness of Board of Directors, and improvement measures.

Results of the Board Evaluation for FY2021

As the result of the Board Evaluation for FY2021, the third-party concluded that in terms of its roles, responsibilities, operation and composition, Board of Directors of the Company, as well as the Nomination Committee and the Compensation Committee, which are advisory bodies to Board of Directors, are functioning appropriately, and that the effectiveness of Board of Directors as a whole has been

ensured and is functioning at a high level.

In addition, the Company confirmed that improvements are being made in (1) through (4) below, which were identified as items that need further improvement in the evaluation of the previous fiscal year, with the following efforts.

Issues for Improvement (identified in FY2020)	Major Initiatives in FY2021
1 Increased efforts to aim to ensure corporate governance most suitable for the Company	<ul style="list-style-type: none"> The board evaluation by the third-party organization was conducted and considerations were made concerning analyses and evaluation, identifying of issues, and improvement measures for further improvement for the effectiveness of Board of Directors. The optimal structure of Board of Directors of the Company was discussed mainly by the Nomination Committee, factoring into the Skill Matrix, requirements for executive personnel, and revised Corporate Governance Code.
2 Enhancement of Board of Directors' oversight functions for the oncology business and international business	<ul style="list-style-type: none"> Deliberation and reports concerning the oncology business and international business, as well as management on a global scale, were made.
3 Further enhancement of discussions at Board of Directors	<ul style="list-style-type: none"> Regarding topics such as risk management, business investments and compliance activities, appropriate materials and explanations were given to Board of Directors members as needed for full discussions.
4 Further enhancement of providing information to Outside Directors and Outside Audit & Supervisory Board Members for enhancing their understandings	<ul style="list-style-type: none"> Forums for discussion other than meetings of Board of Directors were set up for multiple cases. Implementation of initiatives as follows for enhancing Outside Directors' understanding of the Company's business: Briefing to Outside Directors and Outside Audit & Supervisory Board Members on the agenda items of each Board of Directors meeting in advance, and Outside Directors' attendance to the Management Executive Committee as observers.

Priority Measures for the Board of Directors FY2022

Drawing on the evaluations of FY2021, the Company endeavors to ensure and improve the functions and effectiveness of its Board of Directors. To such end, the Company will implement the following priority measures in FY2022:

(1) Enhancement of discussions on key matters at Board of Directors	Long-term strategies (including digital transformation and ESG), globalization, etc.
(2) Enhancement of Board of Directors' oversight functions in terms of operation	Setting up forums for discussion, including occasions other than meetings of Board of Directors
(3) Considerations for optimizing Board of Directors composition	Discussions on Board of Directors composition and election process

Going forward, the Company plans to conduct a board evaluation every fiscal year and conduct evaluations by a third-party organization on a regular basis.

Status of Audits by the Audit & Supervisory Board Members for FY2021

Organization, Personnel and Procedures of Audit by the 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 the Audit & Supervisory Board Members, four full-time staffers, who are independent of the execution of operations, assist with the duties of the Audit & Supervisory Board Members.

Activities of the Audit & Supervisory Board and its Members

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

Additionally, aside from the Audit & Supervisory Board meetings, meetings to exchange views among the Audit & Supervisory Board

Members are held after the Board of Directors' meetings.

Approximately 120 minutes were devoted to the Audit & Supervisory Board meeting, and 16 proposals were on the agenda this fiscal year.

Key Matters for Sharing and Consideration in the Audit & Supervisory Board Meetings

- Audit policy, audit plans, and segregation of duties
- Audit Reports by the Audit & Supervisory Board
- Consent for "Election of the Audit & Supervisory Board Members" as proposals in General Meetings of Shareholders
- Revision of compensation for the Audit & Supervisory Board Members
- Evaluation of Accounting Auditors
- Evaluation of the effectiveness of the Audit & Supervisory Board
- Internal audit plans and the results
- Status of audits by the Audit & Supervisory Board Members of domestic Group companies
- Status of execution of duties by the Full-time Audit & Supervisory Board Member on a monthly basis

Activities of the Audit & Supervisory Board Members

Activities		Relevant Members
Meetings with Representative Directors	Held twice a year	Full-time / Outside
Meetings with Chairperson of Board of Directors	Held once a year	Full-time
Meetings with Directors	Held once a year	Full-time
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
Interviews by the Audit & Supervisory Board Members	Interviews with Heads of Unit, Heads of Division, Vice Presidents (department), Vice Presidents (branch), Vice Presidents (research laboratories), Directors in charge of internal control of domestic Group companies, Presidents and Heads of Internal Audit Department of overseas Group companies, etc.	Full-time / Outside
Advice and requests at the 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
	Individual interviews	Full-time
Meetings with the 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)	Full-time / Outside
	Deliberating on Key Audit Matters (KAM)	

Audit & Supervisory Board Evaluation for FY2021

The Audit & Supervisory Board conducted the Audit & Supervisory Board evaluation for FY2021 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 the 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 the Audit & Supervisory Board has been ensured, there is room for improvement in terms of several areas including audits of implementation status of the Global Management Structure and

audits of the operation status of risk management under the expanding international business. The 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 Audit & Supervisory Board Members

Questions

- 1 Reviewing the functions of our governance throughout the year, please tell us about the role you played in it.
- 2 Please tell us about future challenges for our governance and auditing structure.
- 3 Please tell us about your role based on your experience and expertise.
- 4 Please tell us your thoughts on how governance should be structured in order to improve transparency and fairness as well as your aspirations as a newly appointed Audit & Supervisory Board Member.



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

1 Sound, legal corporate management requires the effective functioning of internal autonomy and self-cleansing, always with an awareness of outside perspectives. The Company actively exchanges opinions at meetings of both the Board of Directors and the Audit & Supervisory Board, and our governance structure—one that sufficiently applies the opinions of Outside Directors—has enabled us to handle various management issues. I also believe that I have contributed to the sound, legal corporate management of the Company by expressing my opinions objectively from a third-party perspective and always from a neutral standpoint and with a legal mindset as an Outside Audit & Supervisory Board Member utilizing my experience as an attorney-at-law.

2 As our unprecedented and largely unpredictable situation continues, the Company is more required than ever to have a management structure that will enable us to agilely and flexibly respond to changes in the times. Changes always involve a degree of risk, however, I believe that avoiding unnecessary legal risks at the earliest possible stage and establishing a structure that prevents risks from materializing will contribute to reassure investors and increase corporate value. As an Outside Audit & Supervisory Board Member, I will continue striving to further improve our governance and auditing structure with this perspective in mind.



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

1 To achieve the current 5-year business plan and 2030 Vision, operating a transparent, effective governance structure is essential. By utilizing my experience and knowledge as a certified public accountant—including experience auditing the financial statements and internal control of many companies—I will continue my efforts to contribute to improve our governance functions by speaking up from the external perspectives such as investors from the viewpoint of the suitability and timeliness of our accounting, the sufficiency of our information disclosure, and the effectiveness of our internal control in the fields of financial and accounting. In addition, in conferences with Accounting Auditors, we will deepen discussions from an expert's perspective and contribute to further strengthening of cooperation.

2 Regarding our Group's globally established and globally run management structure, to ensure effective auditing, it is critical to develop a global auditing structure while collaborating more closely with internal audit functions/Accounting Auditors of our overseas sites as well as in Japan—and I also believe a structure is required that enables flexible auditing depending on the importance and urgency of various risks. The Audit & Supervisory Board, will strive to contribute to the further advancement of our governance.



Mitsuhiro Matsumoto
Outside Audit & Supervisory Board Member (Independent Auditor)

3 I have honed my sensitivity to internal and external risk factors through my experiences in the fight against economic crime or anti-social groups, in the national security policies and in leading large organizations. On the occasion of the Great East Japan Earthquake, I was in charge of regional crisis management as Chief of Police of the Fukushima Prefecture. I see it as my role to use this experience to ensure legal compliance and effective internal controls, and to cultivate stakeholder trust.

4 Drug discovery is a business that paddles out into the ocean of risks, carrying the hope of humanity with it; hence it is essential to be transparent about how risks are taken in order to gain the trust of investors.

The global world also does not tolerate corporate behaviour that is contrary to social justice. Constant efforts to eliminate external diseconomies that may be associated with the business are also necessary.

A responsible system of governance is required to eliminate unnecessary risk factors and prepare for unforeseen risks in order to ensure that R&D, manufacturing, quality assurance, sales and marketing and all other business areas make a full contribution to society, earn the trust of the market and continue to increase shareholder value. I am committed to playing my part in this.

Introduction of Directors and Audit & Supervisory Board Members



Directors

Sunao Manabe ①

Representative Director
President and CEO

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
2011 Corporate Officer, Head of Group HR & CSR
2012 Corporate Officer, Vice President of Corporate Strategy Department, Corporate Strategy Division
2014 Executive Officer, President of Japan Company and Head of Business Intelligence Division
2014 Director, Executive Officer, President of Japan Company and Head of Business Intelligence Division
2015 Director, Senior Executive Officer, In Charge of Global Sales & Marketing
2016 Director, Executive Vice President, Head of General Affairs & Human Resources Division, and Medical Affairs Division
2016 Representative Director, Executive Vice President, Head of General Affairs & Human Resources Division, and Medical Affairs Division
2017 Representative Director, President and CEO
2019 Representative Director, President and CEO (to present)

Shoji Hirashima ②

Representative Director
Senior Executive Officer
Head of Japan Business Unit

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
2017 Corporate Officer, Vice President of Corporate Business Management Department, Corporate Strategy and Management Division
2019 Executive Officer, Head of Global Brand Strategy Division
2020 Senior Executive Officer, Head of Global Brand Strategy Division
2020 Director, Senior Executive Officer, Head of Global Brand Strategy Division
2021 Director, Senior Executive Officer, Head of Corporate Strategy Division
2022 Director, Senior Executive Officer, Head of Japan Business Unit
2022 Representative Director, Senior Executive Officer, Head of Japan Business Unit (to present)

Masahiko Ohtsuki ③

Director
Senior Executive Officer
Head of Digital Transformation Management Division
CIO

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
2013 Vice President, Research Oversight Function, R&D Division
2014 Corporate Officer, Vice President of Research Oversight Function, R&D Division
2018 Corporate Officer, Vice President of Business Development & Licensing Department
2019 Executive Officer, Vice president of Business Development & Licensing Department
2020 Senior Executive Officer, Head of Digital Transformation Management Division
2020 Director, Senior Executive Officer, Head of Digital Transformation Management Division, CIO (to present)

Hiroyuki Okuzawa ④

Director
Senior Executive Officer
Head of Corporate Planning & Management Division
CFO

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
2021 Executive Officer, Head of Corporate Planning & Management Division and CFO
2021 Director, Executive Officer
Head of Corporate Planning & Management Division, CFO
2022 Director, Senior Executive Officer
Head of Corporate Planning & Management Division, CFO (to present)

Takashi Fukuoka ⑤

Director
Executive Officer
Head of Corporate Strategy Division

Career Summary, Positions, and Assignments

1987 Joined Sankyo Company, Limited
2013 Vice President of Venture Science Laboratories, R&D Division of the Company
2019 Corporate Officer of the Company
Executive Vice President, Head of R&D Affairs of Daiichi Sankyo Inc.
2022 Executive Officer, Head of Corporate Strategy Division of the Company
2022 Director, Executive Officer, Head of Corporate Strategy Division of the Company (to present)

Noritaka Uji ⑥

Outside Director (Independent Director)
Chairperson of the Board

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)
2020 Chairperson of the Board of the Company (to present)

(Material Concurrent Positions)

· Representative Director and Chairman of Japan Association of Technology Executives
· Honorary President of Japan Telework Association
· Visiting Professor of Center for Global Communications, International University of Japan
· Auditor of Nippon Omni-Management Association

Kazuaki Kama ⑦

Outside Director (Independent Director)
Chairperson of the Nomination Committee

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 Audit & Supervisory Board Member of JPX Market Innovation & Research, Inc.

Sawako Nohara ⑧

Outside Director (Independent Director)
Chairperson of the Compensation Committee

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 Sampo Japan Insurance Inc.
2013 Outside Director of the Board of NKSJ Holdings, Inc. (currently, Sampo 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
2021 Outside Director of Tokyo Gas Co., Ltd.
2021 Outside Director of Keikyu Corporation (to present)
2022 Outside Director of Resona Holdings, Inc. (to present)

(Material Concurrent Positions)

· President of IPSe Marketing, Inc.
· Outside Director of Keikyu Corporation
· Outside Director of Resona Holdings, Inc.

Yasuhiro Komatsu ⑨

Outside Director (Independent Director)

Career Summary, Positions, and Assignments

1998 Chief, Department of Nephrology, St. Luke's International Hospital
2007 Director, Kidney Center, St. Luke's International Hospital
2011 Vice President, Chief Quality and Safety Officer, St. Luke's International Hospital
2017 Chairman and Professor, Department of Healthcare Quality and Safety, Graduate School of Medicine, Gunma University (to present)
2017 Director, Department of Healthcare Quality and Safety, Gunma University Hospital (to present)
2018 Vice president (specially appointed), Gunma University Hospital (to present)
2022 Outside Director of the Company (to present)

(Material Concurrent Positions)

· Chairman and Professor, Department of Healthcare Quality and Safety, Graduate School of Medicine, Gunma University
· Director, Department of Healthcare Quality and Safety, Gunma University Hospital
· Vice president (specially appointed), Gunma University Hospital

Audit & Supervisory Board Members

Ryoichi Watanabe ⑩

Audit & Supervisory Board Member

Career Summary, Positions, and Assignments

1981 Joined 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)

Kenji Sato ⑪

Audit & Supervisory Board Member

Career Summary, Positions, and Assignments

1988 Joined 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)

Yukiko Imazu ⑫

Outside Audit & Supervisory Board Member
(Independent Auditor)

Career Summary, Positions, and Assignments

1996 Joined Anderson Mōri (currently, Anderson Mōri & Tomotsune)
2005 Partner, Attorney-at-Law, Anderson Mōri & Tomotsune (to present)
2007 Associate Professor of Keio University Law School
2014 Director, Ishibashi Foundation (to present)
2018 Outside Audit & Supervisory Board Member of the Company (to present)
2022 Outside Auditor, dip Corporation (to present)
2022 Outside Director, ALCONIX CORPORATION (to present)

(Material concurrent positions)

· Partner, Attorney-at-Law, Anderson Mōri & Tomotsune
· Outside Auditor, dip Corporation
· Outside Director, ALCONIX CORPORATION

Masako Watanabe ⑬

Outside Audit & Supervisory Board Member
(Independent Auditor)

Career Summary, Positions, and Assignments

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, 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, Sakata Seed Corporation (to present)

(Material concurrent positions)

· Outside Director, Sakata Seed Corporation

Mitsuhiro Matsumoto ⑭

Outside Audit & Supervisory Board Member
(Independent Auditor)

Career Summary, Positions, and Assignments

1983 Joined the National Police Agency ("NPA")
2009 Chief, Fukushima Prefectural Police
2012 Director, Personnel Division, Commissioner-General's Secretariat, NPA
2013 Director-General, Public Security Department, Tokyo Metropolitan Police
2014 Chief, Kanagawa Prefectural Police
2015 Director-General, Foreign Affairs and Intelligence Department, NPA
2016 Director-General, Security Bureau, NPA
2018 Director-General, Commissioner-General's Secretariat, NPA
2018 Deputy Commissioner-General, NPA
2020 Commissioner-General, NPA
2021 Retired from NPA
2022 Outside Audit & Supervisory Board Member of the Company (to present)

(Material concurrent positions)

None

Stakeholder Engagement

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, we specify “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.

Basic Policy on Engagement

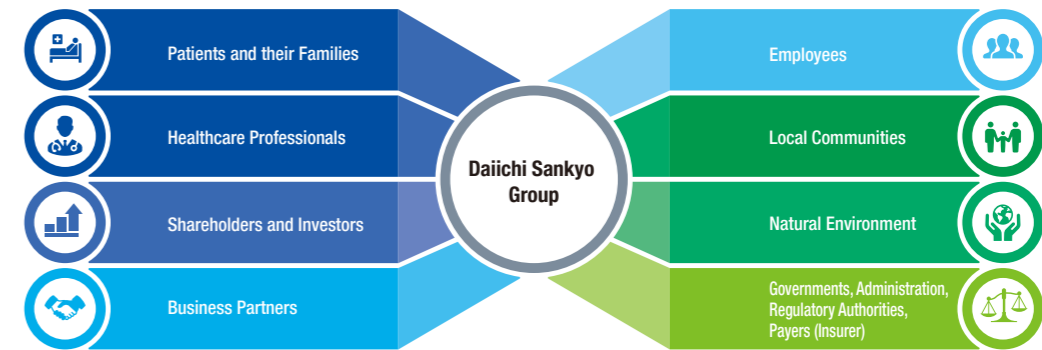
Changes in society are occurring at an unprecedented speed, including economic and geopolitical changes, demographic changes, and global environmental changes. Understanding the wide range of requirements of such a continuously changing society, and reflecting the expectations and needs of stakeholders, and opinions based on various values in corporate activities are crucial to the sustainability of our corporate activities.

We strongly desire to be a company that earns the trust of society

by actively engaging in dialogue with our stakeholders, recognizing the demands and expectations from society that are expected of us, and responding through our business activities. We also seek to collaborate with our stakeholders toward creating a sustainable society.

In our current 5-year business plan, we aim to “Create shared value with stakeholders” as the fourth strategic pillar, and we will not only engage with all stakeholders, but will also promote initiatives for creating shared value with patients, shareholders, society, and employees.

Our Stakeholders



In order to sustainably grow and create corporate value over the mid-to-long-term in society, we must build and maintain productive, positive and professional relationships with stakeholders who are impacted by the Group’s activities, or those who are influenced by our business. To build and maintain relationships with our stakeholders, including patients and their families, healthcare professionals, shareholders and

investors, business partners, employees, local communities, the natural environment, governments, administration, regulatory authorities, and payers (insurer), we aim to not only comply with the laws and regulations of each country and region, but also respect various international norms, diverse cultures and customs and engage in constructive dialogue.

Stakeholder	Purpose of Engagement	Overview of Engagement			
		Engagement Method (Frequency)	FY2021 Engagement Activities	Stakeholders' Feedback	How Feedback was Reflected in Business, Management Decisions, Materiality, etc.
Patients and their Families	Contributing to the improvement of patients' quality of life and bringing "life with a smile" to their families by: understanding the lives, difficulties, and hopes of patients and their families; gathering and analyzing the voice of patients and healthcare professionals and quality of life-related information; incorporating this feedback into our development.	• Dialogue with patients and healthcare professionals through COMPASS activities* (2-3 times/year)	• Held "DS Round Table Discussions" online to allow employees to interact directly and personally with cancer survivors and patients	• Importance of developing drugs that take into account dosing frequency and the impact of side effects on patients' daily lives • Information on how to alleviate and cope with side effects is also important to improve patients' quality of life.	• In the pursuit of efficacy and safety in drug research and development, we are fostering a Patient Centric Mindset in each member of the R&D Division in Japan by learning about the actual side effects and recognizing the importance of improving patients' quality of life, including not only the reduction of side effects, but also their mitigation and coping methods. • Addressed the development of higher concentration drug formulations and promoted reduction of dosage (rare disease pharmaceuticals) • Modified the inhaler container for easier inhalation and smoother sliding of the medicine tray by enlarging the width of the air vent at the bottom of the container (inhaler) • Provided easy-to-take medications and established a new website "for general users" to promote understanding of the products (generic pharmaceuticals) • Developed orally disintegrating tablets (OD tablets) that can be easily handled and taken by patients
		• Dialogue with patients at Medical Information Center (as appropriate) • Dialogue with physicians and pharmacists as part of medical representatives (MRs) activities in Japan (as appropriate)	• Collected requests for the Group's products • Gained patient feedback on the Group's products through physicians and pharmacists	• Difficulty taking medication as the number of medication packages increases with progression of patients' conditions (rare diseases) • Difficulty with inhaling, difficulty with sliding medicine tray while using (inhalers) • Desire to receive product information that will enable continuous peace of mind in taking the medications (generic pharmaceuticals)	
		• Gathered opinions from academic conferences and healthcare professionals (as appropriate)	• Conducted interviews to understand patient requests	• Patients with difficulty in swallowing, including children and the elderly, struggle to take multiple or large tablets	
Healthcare Professionals	Enhanced treatment options and transforming the standard of care through improving treatment satisfaction and understanding the needs of healthcare professionals by creating advanced pharmaceuticals and providing useful information to healthcare professionals.	• Dialogue with physicians and pharmacists as part of medical representatives (MRs) activities in Japan (as appropriate)	• Gathered feedback on needs for cooperation between medical institutions amid the COVID-19 pandemic	• Concern regarding the disruption of cooperation between medical institutions during the COVID-19 pandemic, which could lead to loss of treatment opportunities for patients	• Contributed to the reduction of the loss of treatment access for patients by facilitating cooperation among medical institutions through online lectures • Promoted information sharing within the area and conducted medical collaboration support (patient referral support) to ensure access to medical care for patients
		• Conducted interviews with relevant academic associations, medical specialists, and other healthcare professionals (as appropriate)	• Held advisory meetings and interviews with medical specialists to exchange opinions on promoting the proper use of anti-cancer agents	• Unable to ensure equitable access to healthcare for patients due to conditions of use (facilities) set from the perspective of ensuring the safety of anti-cancer agents	
Shareholders and Investors	To promote further mutual understanding and growth by actively disclosing management information that will help shareholders and investors understand our company, such as mid-to-long-term strategies and initiatives for sustainable growth which are based on the principles of transparency, fairness, and continuity, and by reflecting on opinions gained through constructive dialogue from a mid-to-long-term perspective in our corporate management.	• Conducted dialogue between investors and the management (as appropriate) • Conducted dialogue between investors and IR department (as appropriate)	• Gathered investor opinions on disclosure of management strategy, R&D, ESG, etc. through IR activities	• Requests for disclosure on 5-year business plan that incorporates business growth in the oncology field and post-ADC strategies	• Provided explanation of mid-to-long-term business strategies, including growth of oncology business and post-ADC R&D strategies, at 5-year business plan briefing
Business Partners	Grow together with trusted business partners and mutually enhance each other's value over the long term by seeking a clear understanding of the Group's approach to sustainability based on the Business Partner Code of Conduct (BPCC), and by promoting initiatives to create a sustainable society that consider human rights and the environment.	• Conducting dialogue with business partners through sustainable procurement surveys and interviews based on survey responses (once every 3 years)	• Conducted and collected sustainable procurement surveys from key business partners in and outside of Japan	• Re-recognizing the growing societal interest in sustainability • Unsure of how to engage in sustainability initiatives	• Planned external educational activities and training programs to promote sustainability activities among business partners
Employees	To promote sustainable growth for both employees and the company by creating an environment for employees to be highly engaged, grow as individuals, and play an active role in the company by respecting diversity and promoting human resource development and success in all areas of the value chain. To promote corporate initiatives further by disseminating management policies and developing mutual understanding toward the achievement of management targets, and to create a sense of unity among employees.	• Conducting engagement survey of all global employees (once/year)	• Conducted a survey to measure the degree of awareness of our Purpose and Core Behavior, in addition to engagement-related items	• The Group's improvement areas are "Learn From Mistakes," "Procedure," and "Collaboration."	• To create a culture of learning, the Management Executive Committee decided that all of Daiichi Sankyo Group across the globe will focus on (1) learning from mistakes and (2) developing managers to create an environment of learning within their teams. • Established link to boosting individual motivation and employee engagement to accomplish the corporate initiatives in line with the 5-year business plan and achieving the materiality KPIs.
		• Conducting direct communication between management and employees (as appropriate; twice in FY2021)	• Held virtual Town Hall Meeting for all Group employees, providing an opportunity for direct discussions between management and employees on initiatives to achieve the current 5-year business plan	• Gained a broader understanding of the content of the current 5-year business plan of employees globally through the opportunity to engage in direct communication with the CEO	
Local Communities	Aiming to strengthen medical infrastructures in each region by developing necessary human resources and providing healthcare services that meet local needs, thereby realizing "the enrichment of quality of life around the world."	• Conducting surveys of NGOs and local government and medical institutions (as appropriate) • Conducting interviews through NGOs (as appropriate)	• Conducted a survey of NGOs and government agencies to understand the needs surrounding healthcare issues in Nepal • Conducted interviews with local residents, local government, medical institutions, etc.	• Lack of system for screening, diagnosis, and treatment of breast and cervical cancer, which are cancers specific to women • Lack of knowledge among local residents about diseases, and lack of habit of getting screenings	• Conducted "Breast Cancer and Cervical Cancer Screening Camp" to realize the provision of a one-stop service for screening and diagnostic treatment, which contributed to the improvement of the testing rate and the early detection of cancer
Natural Environment	Aiming to reduce risks to both our business and the natural environment by accurately capturing environmental conditions and societal requests which leads to reduction of environmental impact throughout the value chain such as resource conservation and resource re-cycling, and other activities throughout the value chain.	• Conducting collaboration with industry associations (4-5 times/year)	• Participated as a leader in the Low Carbon Society Action Plan Working Group of the Federation of Pharmaceutical Manufacturers' Associations of Japan to realize measures for climate change in the Japanese pharmaceuticals industry	• Requirement of a sustainable healthcare system within the climate crisis, due to WHO study on threat of climate change against health and survey showing high greenhouse gas emissions in the healthcare supply chain	• Promoted initiatives to make the pharmaceutical industry carbon-neutral, including taking the lead in drafting industry targets, and revised the CO ₂ emissions reduction targets set in our materiality KPIs to more ambitious targets
Governments, Administration, Regulatory Authorities, Payers (Insurer)	Contributing to the resolution of issues aimed at ensuring and expanding access to pharmaceuticals for patients around the world while creating a sustainable R&D investment cycle for the creation of innovative pharmaceuticals that meet unmet medical needs, by building appropriate trusting relationships with the policymakers, governments, administration, regulatory authorities, payers (insurer) of each country, and ensuring appropriate evaluations for pharmaceutical innovations.	• Conducting advocacy and dialogue through industry associations (as appropriate)	• The International Federation of Pharmaceutical Manufacturers and Associations (IFPMA) kept track of discussions and its background at the World Health Assembly (WHO), the WTO Ministerial Conference, and other meetings regarding the early access to vaccines and treatments in a pandemic	• Societal demands for early provision of vaccines and treatments in the event of a pandemic	• IFPMA published Lessons Learned as the International Federation of Pharmaceutical Manufacturers and Associations, including the importance of ensuring intellectual property and other matters to ensure innovation, and proposed measures to speedily develop and deliver vaccines and treatments to the world in the next pandemic • The Government of Japan formulated the "Strategy for Strengthening Vaccine Development and Production System" and "Pharmaceuticals Industry Vision 2021" based on the opinions of the pharmaceuticals industry
			• Exchanged opinions on drug discovery and the innovation of the pharmaceutical industry at the "Public-Private Dialogue for the Creation of Innovative Pharmaceuticals" organized by the Ministry of Health, Labour and Welfare	• The importance of developing the pharmaceutical industry, innovating vaccine research and development, bridging advanced university research toward industry, developing biopharmaceutical manufacturing technology, and addressing economic security	

* 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.