

Corporate Governance

In addition to establishing a management framework that can respond swiftly and flexibly to changes in the business environment, the Daiichi Sankyo Group is working to ensure legal compliance and management transparency and to strengthen oversight of management and the execution of business. We place importance on building up a corporate governance structure that is responsive to the trust of our stakeholders, especially our shareholders.

Changes in Corporate Governance Structure

Since the merger of Sankyo Co., Ltd. and Daiichi Pharmaceutical Co., Ltd. in 2007, we have operated the Nomination Committee and the Compensation Committee as voluntary committees. Also, one female Director has been appointed to the Board of Directors since 2019. With the aim of promoting the separation of execution and supervision and enhancing the transparency and supervisory function of the Board of Directors, an Outside Director has served as Chairperson of the Board of Directors since 2020.

Through these efforts, we are committed to establishing the

governance system for the Board of Directors to make important business decisions and oversee its management appropriately, establishing an 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 further strengthening 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	2023	
Chairperson of the Board	Chairman	CEO					Chairman	Outside Director			
Directors	Outside	4 male members					3 male members and 1 female member				
	Inside	6 male members					5 male members				
Audit & Supervisory Board Members	Outside	2 male members		1 male member and 1 female member		1 male member and 2 female members					
	Inside	2 male members		1 male member and 1 female member							
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 Explain		Complied with all the items			

Corporate Governance Structure

To clearly define the management responsibilities of Directors and reinforce their oversight of management and the conduct of operations, their terms of office are set at one year. Moreover, four of the nine directors are outside directors. Since June 2020, an Outside Director has been appointed Chairperson of the Board of Directors.

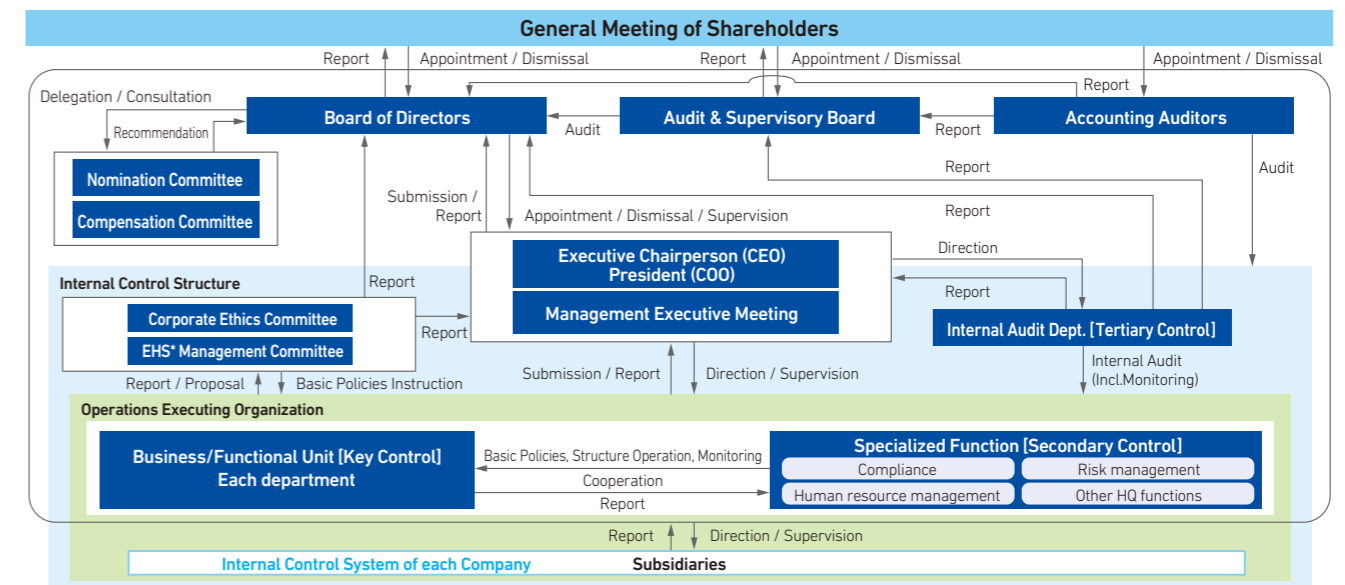
To ensure management transparency, we have established two voluntary committees as advisory bodies to the Board of Directors: the Nomination Committee and the Compensation Committee. Both of these committees deliberate on the appointment or dismissal of the CEO and the COO, successor plan of the CEO and the nomination of Director candidates, and executive compensation, among other matters. The committees above are comprised by four Outside Directors and one Outside Audit & Supervisory Board member participating as an observer. For audits of legal compliance and soundness of management, we have adopted an Audit & Supervisory Board system, its members are comprised with five Audit & Supervisory Board Members, three of those are outside 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 Directors and Audit & Supervisory Board Members.

Under the global management structure, the Management

Executive Meeting with CxO, Unit Heads, and Heads of Global Corporate Function 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).

We have adopted this corporate governance structure to be optimal for establishing a management structure that can respond swiftly and flexibly to changes in the business environment, for ensuring legal compliance and management transparency, and for strengthening the oversight of management and the execution of business.

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	Full-time 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 Full-time Audit & Supervisory Board Members 3 Outside Audit & Supervisory Board Members
Purpose	To deliberate matters required for the appointment or dismissal of the CEO and the COO, successor plan of the CEO, and the nomination of Director candidates, Audit & Supervisory Board member candidates, at the request of the Board of Directors, and to contribute to the enhancement of management transparency and oversight functions	To deliberate matters required for compensation policies for directors and corporate officers, as well as individual amounts of compensation at the request of the Board of Directors, and to 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 FY2022	11	11	13

Other Committees

	Corporate Ethics Committee	EHS Management Committee
Chairperson	Compliance Officer (Head of Global Compliance & Risk)	Chief Executive Officer of EHS Management (Head of Global Corporate Strategy)
Composition	14 members, including 13 internal members appointed by the Chairperson and an appointed external attorney who ensures that the committee operates in a transparent and reliable manner Observers: Full-time Audit & Supervisory Board Members, Vice President of the Internal Audit Department, and Vice President of the Business Management Department	15 members, including Corporate Officers of Group companies appointed by the Chairperson Observer: Full-time Audit & Supervisory Board Member
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 FY2022	2	2



Message from the Chairperson of the Board



Outside Director (Independent Director)
Kazuaki Kama

The effectiveness of the Board of Directors of Daiichi Sankyo has been recognized both internally and externally. I believe one of the reasons for this is that the Chairperson of the Board of Directors is an Outside Director and the execution and supervision of management are clearly separated. Having recently assumed the position of Chairperson of the Board of Directors, I am keenly aware of the weight of my responsibility. The Board of Directors is properly managed through close communication between the Chairperson of the Board and the executive team, and we will continue to follow this practice. We will work on *offensive governance* by enhancing discussions aimed at sustainable growth as well as *defensive governance* by fulfilling our supervisory function.

As the executive team is making progress toward mid-to-long-term growth, we will hold discussions at the appropriate time. We will also check the progress regarding the globalization of our business as well as the globalization of the management foundation that underpins our business activities, in order to make further progress and eventually achieve our goal of becoming a global healthcare company.

With the external environment changing so dramatically, the Board of Directors will be called upon to respond to a variety of issues. In responding to the issues, I believe that being continuously aware of the perspectives of stakeholders, including patients and healthcare professionals, will help improve the transparency and oversight functions of the Board of Directors.

Requirements for Director Candidates

Directors shall meet the requirement of being personnel of possessing excellent character and insight who contribute to maximizing the corporate value of the Group. Directors shall meet the requirement 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 the Board of Directors should possess to properly fulfill its decision-making and management oversight functions, and has set up the Skill Matrix that organizes the possession status of such skills by Directors and Audit & Supervisory Board Members.

In light of our Purpose, Mission, and mid-to-long-term management direction and business strategy, the Company

has identified the nine 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. When appointing directors, we consider the diversity and balance of these skills. Audit & Supervisory Board members are appointed based on the requirements for candidates separately set by the Audit & Supervisory Board.

Policies and Procedures for Appointment/Dismissal

The Company has defined policies and procedures for the appointment and dismissal of Directors, the CEO, and the COO, as well as for 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 and the COO 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 executing their duties as 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 the CEO and the COO shall be called into account in light of the Companies Act, defined CEO eligibility requirements or requirements for the execution of their duties, and determined in the same manner as appointment, by resolution of the Board of Directors over a recommendation from the Nomination Committee that the Committee submits after sufficient deliberation.



Message from the Chairperson of the Nomination Committee



Outside Director (Independent Director) Takaaki Nishii

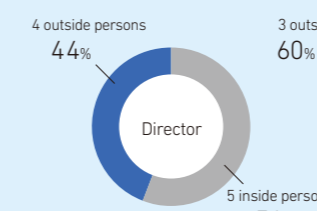
I believe that what is required of the Nomination Committee is a deep understanding of the management of Daiichi Sankyo Group, which is making great strides toward becoming a global healthcare company in both form and substance, and to figure out how to organize and support the management team that will drive the management transformation and the implementation of the current 5-year business plan. Starting this fiscal year, we transitioned to an executive structure under the leadership of CEO Manabe and COO Okuzawa, in which important management strategies are promoted by CxOs with global, cross-organizational responsibilities. Under this structure, the Board of Directors will need to take a long-term, multifaceted view from the perspective of multiple stakeholders, point out management issues that Daiichi Sankyo Group faces from an external perspective as it rapidly grows as a global healthcare company, oversee the execution process while also evaluating executive actions, and thoroughly communicate these issues to the executive team. We will refine these efforts in the course of the operations of the Board of Directors in the current fiscal year, and will also accurately address issues related to the composition of the Board of Directors, such as the number of directors, the ratio of Inside and Outside Directors, as well as diversity, including the appointment of female directors.

Skill Matrix

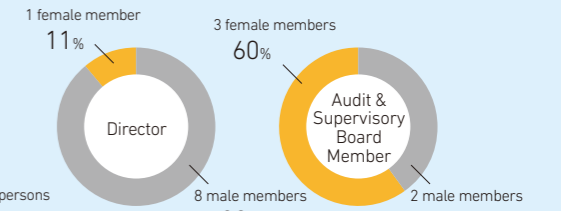
	Name	Outside Independent	Term of office	Board of Directors	Nomination Committee	Compensation Committee	Corporate Management/ Management Strategy	Finance/ Accounting	Science & Technology	Business Strategy/Marketing	Global Business	Human Resources/ Human Resource Development	Legal/Risk Management	Sustainability/ ESG	DX/IT	Qualification	
Director	Sunao Manabe		9 years	○			●		●	●	●	●		●		Veterinarian	
	Hiroyuki Okuzawa		2 years	○			●	●	●	●	●	●	●				
	Shoji Hirashima		3 years	○			●	●	●	●	●	●	●				
	Masahiko Ohtsuki		3 years	○			●		●	●	●	●				Pharmacist	
	Takashi Fukuoka		1 year	○			●		●	●	●	●				Veterinarian	
	Kazuaki Kama	○	4 years	○ Chairperson	○	○	●	●			●	●	●	●			
	Sawako Nohara	○	4 years	○	○	○ Chairperson	●		●	●				●	●		
	Yasuhiro Komatsu	○	1 year	○	○	○	●		●		●	●	●				Doctor
	Takaaki Nishii	○	—	○	○ Chairperson	○	●			●	●	●	●	●			
	Audit & Supervisory Board Member	Kenji Sato		4 years	○					●			●	●			
Miyuki Arai			—	○					●				●				Pharmacist
Yukiko Imazu		○	5 years	○		□ (Observer)						●	●				Lawyer
Masako Watanabe		○	2 years	○						●			●				Certified public accountant
Mitsuhiro Matsumoto		○	1 year	○		□ (Observer)						●	●				

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. Read more here

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



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

● Compensation level

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.

● 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 bonuses (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.

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

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

1. Calculation formula for annual performance-based bonuses

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

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 Meeting.

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

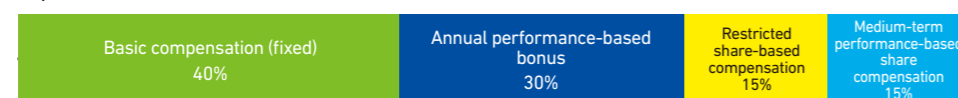
● Restricted share-based compensation (long-term incentive)

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, and Directors will pay all of the paid monetary compensation receivables as in-kind contribution assets of the Company's ordinary shares and will be issued them.

* If a share split of the Company's ordinary shares (including a gratis allotment of the Company's ordinary shares) or a share consolidation occurs, or if there is any other reason that requires adjustment of the total number, the Company will adjust the number in a reasonable range as necessary according to the split or consolidation ratio.

Ratio of the Composition of Compensations

Representative Director, President and CEO



Outside Directors



Message from the Chairperson of the Compensation Committee



Outside Director (Independent Director)
Sawako Nohara

The Compensation Committee will continue to deliberate on Daiichi Sankyo's compensation system, including its policy and composition for Directors and Corporate Officers, and will review the operation of the system and the appropriateness of compensation for each individual and revise the system as appropriate. With regard to the performance evaluation of the CEO and COO in this fiscal year, we have received explanations from each of them about their goals at the beginning of the fiscal year, and at the end of the fiscal year, the Compensation Committee will conduct a performance evaluation after receiving a report on their performance evaluation compared to the goals.

As Chairperson, I will encourage free and lively discussions about the above, summarize the deliberations, report back to the Board of Directors, and provide explanations to the stakeholders.

Furthermore, from this fiscal year, the Compensation Committee will discuss the executive compensation system that takes into account the global personnel system, namely, the compensation system corresponding to the global management system with CxOs, Unit Heads, and Heads of Global Corporate Function, etc., and will promptly revise the system during the current 5-year business plan period, if necessary.

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

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 (excluding Outside Directors) and the Corporate Officers (hereinafter, "the Target Directors & Officers") as compensation based on the achievement of the performance of the mid-term 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. With justifiable reason, when it is not possible to establish the trust, amend the trust agreement, make additional contribution to the Trust, or when Target Directors & Officers are non-resident of Japan, or with any other justifiable reason, that delivery of the Company's Shares, etc. to Target Directors & Officers from the trust is not possible, the Company may, within the upper limit of money to be contributed by the Company, make monetary payments of the amount reasonably calculated based on the number of the Company's Shares, etc. that should be delivered in accordance with the plan and share price, etc., to Target Directors & Officers.

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, and 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.

See here for an overview of the compensation system

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

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.

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.

Implementation Method of Board Evaluation for FY2022

The Company determines, as the contents and items for evaluation relating to the effectiveness of the Board as a whole, the board evaluation items including the items to be evaluated by the Directors themselves in addition to the evaluation of the Board as a

whole with reference to the principle and supplementary principle associated with the general principle 4, "Roles and Responsibilities of the Board," of Japan's Corporate Governance Code.

The major evaluation items are as follows:

- (1) Roles and responsibilities of the Board
- (2) Operation of the Board
- (3) Composition of the Board
- (4) Functions of the Nomination Committee and the Compensation Committee

- (5) Issues and matters for improvement regarding effectiveness of the Board
- (6) Resolution of issues identified in the previous fiscal year's board evaluation, and improvement measures
- (7) Overall corporate governance

All Directors and Audit & Supervisory Board Members self-evaluate the above matters by selecting grades and answering free descriptions, and the analysis results and the details are reported to the Board.

The latest round of self-evaluation generated quite a few

candid opinions by selecting grades and using a free-description format. Based on these results, the Company has identified the issues and matters for improvement that will help improve the functions and effectiveness of the Board.

Results of the Board Evaluation for FY2022

The result of the board evaluation for FY2022, concluded that in terms of its roles, responsibilities, operation and composition, the Board of the Company, as well as the Nomination Committee and the Compensation Committee, which are advisory bodies to the Board, are functioning appropriately, and that the effectiveness

of the Board as a whole has been ensured.

In addition, the Company confirmed that improvements are being made in 1 through 3 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 FY2021)	Major Initiatives in FY2022
1 Enhancement of discussions on key matters at the Board	<ul style="list-style-type: none"> • In the Board and meetings to exchange views among Directors and Audit & Supervisory Board Members, there was intensive discussion on topics including long-term strategies (business strategies, realization of Healthcare as a Service, and ESG), and globalization.
2 Enhancement of the Board' oversight functions in terms of operation	<ul style="list-style-type: none"> • The Company set up even more forums for discussion, including occasions other than the Board meetings (meetings to exchange views among Directors and Audit & Supervisory Board Members, meetings for Outside Directors and Outside Audit & Supervisory Board Members, briefing sessions for Outside Directors and Outside Audit & Supervisory Board Members). • The discussions focused on the optimal balance between oversight and execution for the Company and reviewed the standard for submitting matters for discussion at the Board with a view to optimizing matters for deliberation and reported matters.
3 Considerations for optimizing the Board composition	<ul style="list-style-type: none"> • In the Board and Nomination Committee, the members discussed the optimal composition of members of the Board for the Company with the objective of increasing corporate governance and further strengthening the oversight functions of the Board.

Priority Measures for FY2023

Drawing on the evaluations of FY2022, the Company endeavors to ensure and improve the functions and effectiveness of its Board. To such end, the Company will implement the following priority measures in FY2023:

- (1) Enhancement of discussion on key matters for further strengthening the oversight functions of the Board (long-term strategy, globalization, etc.)
- (2) Enhancement in terms of operation for further strengthening of the decision-making functions and oversight functions of the Board
- (3) Further considerations for optimizing the Board composition

In FY2021, the Company conducted a board evaluation by a third-party organization. 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 Audit by Audit & Supervisory Board Members for FY2022

● Organization, Personnel and Procedures of the audit by Audit & Supervisory Board Members

The Company is a company with an Audit & Supervisory Board, and Audit & Supervisory Board comprises 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.

The Company has Office of Audit & Supervisory Board Members with four full-time staff independent of the execution of business operations, to provide assistance in the execution of the duties of Audit & Supervisory Board Members.

● Activities of Audit & Supervisory Board and its Members

As a general rule, Audit & Supervisory Board meeting is held once a month.

Aside from Audit & Supervisory Board meetings, exchanges of views among Audit & Supervisory Board Members are held after the Board meetings, etc.

22 proposals were placed on the meeting agenda this fiscal

year, and approximately 120 minutes was devoted to a regular Audit & Supervisory Board meeting on average.

● Specific Sharing and Considerations in Audit & Supervisory Board

- Audit policy, audit plans, and division of duties
- Interview policy and major activities of Audit & Supervisory Board Members
- Audit Reports by Audit & Supervisory Board
- Consent for the Proposal in General Shareholders Meeting "Election of Audit & Supervisory Board Members"
- Evaluation of Accounting Auditors
- Evaluation of the effectiveness of Audit & Supervisory Board
- Internal audit plans and results
- Prior consent by Audit & Supervisory Board for non-assurance services by the audit firm
- Monthly execution status of duties by Audit & Supervisory Board Members

Activities of Audit & Supervisory Board Members

Activities		Relevant Members
Regular Meetings with Representative Directors	Held twice a year	Full-time / Outside
Regular Meetings with Chairperson of the Board	Held twice a year	Full-time
Meetings with Directors	Held once a year	Full-time
Attendance at important meetings	Attendance in meetings such as those of the Board, Executive Management Committee Meeting	Full-time / Outside
	Corporate Ethics Committee and EHS Management Committee	Full-time
Attendance at important meetings of the domestic Group companies, etc.	Acting as Part-Time Audit & Supervisory Board Members of the principal domestic Group companies, attendance in meetings of bodies such as the Board and Executive Management Committee Meeting of such companies and perusal of important documents 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 Audit & Supervisory Board Members	Interviews with Heads of Unit, Heads of Division, Vice Presidents (department), Vice Presidents (research laboratories), Presidents and 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 meetings		Full-time / Outside
Membership of voluntary advisory committees	Confirmation of activity status as observer of Nomination Committee and Compensation Committee	Outside
Cooperation with Outside Directors	Holding meetings to exchange views	Outside
	Holding Individual interviews	Full-time
	Holding audit status report meetings by Audit & Supervisory Board Members of domestic Group companies	Full-time / Outside
Meetings with Audit & Supervisory Board Members of domestic Group companies	Held three times a year	Full-time
Cooperation with the Internal Audit Department	Reporting internal audit plans, results and engaging in exchange of views, confirming audit points before internal audits, information-sharing and exchange of views 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 exchange of views on recent topics on a monthly basis	Full-time / Outside
	Consultation about Key Audit Matters (KAM)	

Audit & Supervisory Board Evaluation for FY2022

The Audit & Supervisory Board conducted its own evaluation for FY2022 to heighten its effectiveness of the Audit & Supervisory Board.

● Implementation method of Audit & Supervisory Board evaluation

Audit & Supervisory Board established a wide range of evaluation items associated with Audit & Supervisory Board effectiveness. Each Audit & Supervisory Board Member conducted a self-evaluation of Audit & Supervisory Board, then discussed those matters.

● Results of the evaluation of Audit and Supervisory Board

It was confirmed that the activities of Audit & Supervisory Board

were conducted appropriately overall and that its effectiveness was ensured.

As business expands globally, the importance of auditing the operation status of the management structure, the implementation status of risk management and BCP has been increasing. Therefore, Audit & Supervisory Board will draw on these results in terms of applying them to initiatives to be carried out for subsequent fiscal years.



Message from Outside Audit & Supervisory Board Members

MESSAGE

Questions

- 1 Please tell us about the role you have played based on your experience and expertise, and the type of governance that is appropriate for Daiichi Sankyo (future challenges, etc.).
- 2 What are your initiatives to improve transparency and fairness?



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

1 It goes without saying that compliance is extremely important for Daiichi Sankyo to maintain a sound corporate governance system that lives up to society's trust in the company. Based on my many experiences as an attorney-at-law, I have contributed to the sound and legal corporate management of Daiichi Sankyo by expressing my opinions objectively as an Outside Audit & Supervisory Board Member with a legal mindset, thereby avoiding unnecessary legal risks.

2 To improve the transparency and fairness of corporate management, it is necessary to ensure effective internal autonomy and self-regulatory functions, while always being mindful of external perspectives. In addition to having an Outside Director serving as Chairperson of the Board since 2020, Outside Directors and Outside Audit & Supervisory Board Members participate very actively in discussions of the Company, resulting in a highly transparent and fair corporate governance system that fully reflects the opinions of Outside Directors and Outside Audit & Supervisory Board Members. I will continue to make every effort to further improve the transparency and fairness of our corporate management, fully aware of the importance of the role expected from an Outside Audit & Supervisory Board Member.



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

1 As a certified public accountant, I have contributed improve governance functions by leveraging my experience and knowledge in auditing financial statements and internal controls of various companies to confirm and comment from an external perspective on the adequacy and sufficiency of information disclosure, including financial reporting and non-financial information, as well as the adequacy and effectiveness of internal control systems that are maintained and operated on a global basis. With the expansion of Daiichi Sankyo's global business operations, collaboration with the Internal Audit Department and Accounting Auditors is more important than ever, and we will further strengthen the collaboration of the three auditing parties to share the risks of the entire Group and improve the effectiveness of the auditing system.

2 Daiichi Sankyo has a system under which opinion exchange sessions with Outside Directors are held to freely and openly discuss issues of concern from an objective perspective, and the results are fed back to the executive team for review, thereby enhancing transparency and fairness. In addition, the Company is taking steps to promote understanding of the actual state of management by listening to different people on the front lines, including through site visits to manufacturing and research facilities, and by providing auditors with opportunities to interview department managers in the course of their duties.



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

1 As Daiichi Sankyo continues to evolve into a global structure, I was able to use my experience in leading large organizations, as well as in dealing with cyberattacks and responding to changes in the security environment, to provide oversight and advice as an Audit & Supervisory Board Member. As the company globalizes, its stakeholders expand, and I believe that the challenge is in establishing governance that earns and maintains the trust of these stakeholders.

2 To gain investor confidence, risks must be made as transparent as possible. In addition, behaviors seen as socially unjust can lead to reputational risk for a global company. Efforts to eliminate external diseconomies must also be made constantly. To ensure that R&D, manufacturing, quality assurance, sales and marketing, and other business sites contribute fully to society and continue to earn the trust of the market, it is necessary to create a fair governance system that clarifies and eliminates risk factors and prepares for unforeseen risks. I believe this is one of the most important, missions of Audit & Supervisory Board Members.