

We will enhance ESG management to realize our Purpose, and achieve sustainable growth for both the Company and society by creating social and economic value together with our stakeholders

What kind of year was FY2022 for Daiichi Sankyo Group and what was the most memorable event?

FY2022 was a year in which the global situation and the global economy continued to change significantly. The conflict in Ukraine, which began in February 2022, has caused a massive human rights, humanitarian and refugee crisis. In addition, while the prolonged COVID-19 pandemic has brought about serious health concerns, it has also magnified the problems that socially disadvantaged individuals are facing, such as widening inequality. The world is now facing important complex social issues such as climate change and human rights abuses, and we are deeply aware of the social responsibility that companies must fulfill in order to develop a sustainable society. Furthermore, Turkey, where we also have an operation base, was hit by a large-scale earthquake in February 2023. I would like to once again extend my deepest sympathies to those who have suffered from the disaster.

The most memorable event for the Company in FY2022 was the presentation of the trial results for *Enhertu*[®] at the annual meeting of the American Society of Clinical Oncology (ASCO), one of the major medical conferences where cancer experts from around the world gather. At the most important plenary session (with all participants), the trial results of *Enhertu*, developed by the Company, for HER2 low metastatic breast cancer (post-chemotherapy treatment) were announced, which the audience of approximately 5,000 people at the venue spontaneously erupted in a standing ovation. I was very moved by the joy of delivering *Enhertu* to patients who had been waiting for a new treatment for breast cancer that had no effective treatment previously. The results also solidified our confidence in *Enhertu* and our future growth.

I believe that this event at ASCO is one example of how our efforts to help patients over the course of its more-than-100-year history have culminated under the Company's Purpose of "Contribute to the enrichment of quality of life around the world." Along with our mission to deliver *Enhertu* to as many patients as possible around the world, we also feel the high expectations placed upon us to create even more innovative new drugs. In order to meet these expectations, we will steadily achieve our current 5-year business plan ending in FY2025, and work as one group to realize our 2030 Vision.

There are growing concerns in many countries around the world about the sustainability of social security owing to falling birthrates and aging populations, and efforts to curb healthcare costs are on the rise. What challenges do you see in the business model of delivering our innovative pharmaceuticals globally?

Currently, the probability of success in creating new drugs is said to be less than approximately 1 in 20,000, making it an extremely difficult challenge for any pharmaceutical company. In addition, it takes a very long time over 10 years from the time a new drug candidate is discovered until it reaches the patients as a new drug. I believe we need to explore a variety of solutions that take into account the healthcare environment in each country and region, both in terms of continuous research and development (R&D) investment to create new therapeutic agents that will help future patients, while improving access to medicines to reach as many patients as possible around the world.

When it comes to innovative pharmaceuticals that offer new treatment options, it is critical for patients to be able to gain access quickly. On the other hand, if a therapeutic drug already exists, the price of the drug should be affordable for patients and the healthcare system in each country or region, while at the same time ensuring incentives for R&D and capital investment.

Currently, not only in Japan but also in Europe and the US, discussions are underway to streamline costs in order to continuously deliver the latest medical care to patients within the limited social security budget, and one of the targets for cost reduction is drug prices. In Japan, a growing number of drugs that are already in use in Europe, the US, and other developed countries not being approved, drug lag and drug loss, are issues because the value of innovative new drugs and the value of innovations are not properly evaluated.

From a patient centricity perspective, we will continue to improve patient access and strengthen our advocacy and engagement with governments, administration, and regulatory authorities.

In the society where Healthcare as a Service (HaaS) is realized in the near future, what role should Daiichi Sankyo play?

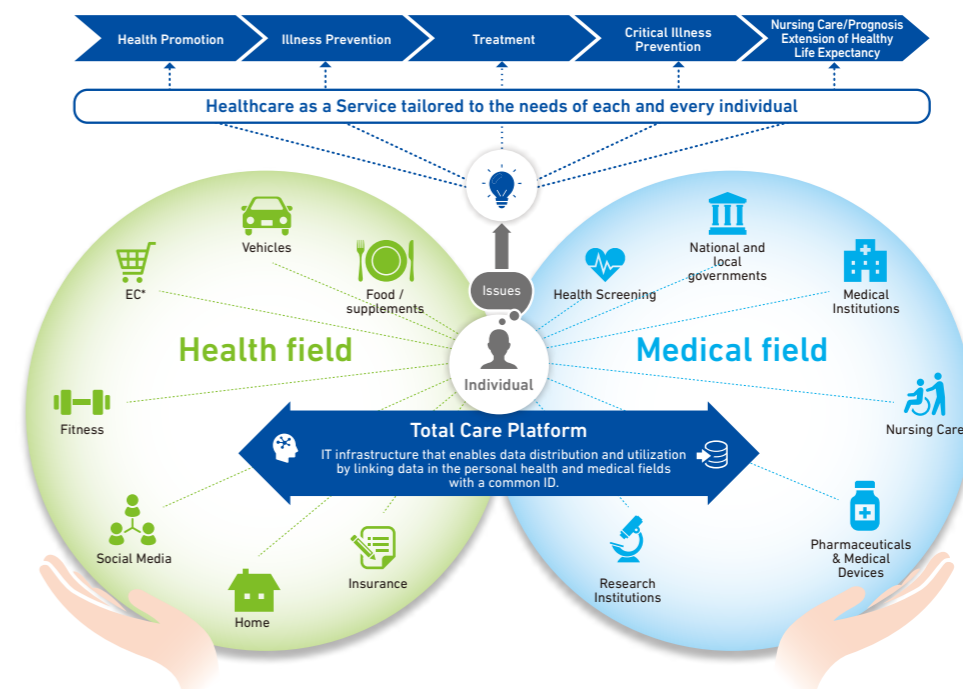
In recent years, digital transformation (DX) has been rapidly advancing in the corporate and in society sectors, especially in Japan. We have been also actively promoting DX, setting "Realization of data-driven management through DX promotion and transformation of the entire company through advanced digital technologies" as one of the foundations supporting the



Sunao Manabe
Representative Director
Executive Chairperson and CEO



Total Care Ecosystem



* Electronic Commerce

CEO Interview

strategies of the current 5-year business plan. Our previous efforts have been recognized, and we have been selected as one of the Digital Transformation Stocks (DX Stocks) 2023.

The wave of DX is spreading throughout society is creating a new society in the not-so-distant future, where new value is created by utilizing digital innovation and the creativity of diverse individuals. In the healthcare field of the emerging societal concept "Society 5.0", we are working toward building HaaS by leveraging diverse data and advanced technologies to provide personalized and optimal services tailored to the needs of each and every individual.

In HaaS, we are working towards building a Total Care Ecosystem, which is a collaborative platform with companies and organizations to solve the challenges and achieve well-being for each individual, covering health promotion, disease prevention, treatment, and prognosis care. We are also developing a Total Care Platform that consolidates health and medical data associated with individuals, enabling data circulation and utilization. Furthermore, we aim to create and provide new values to address social issues such as promoting innovation, reducing social security costs, optimizing medical resources, improving access to healthcare, securing labor, extending healthy lifespans, and economic development. To realize HaaS, we take on the role of leading in the development of this Total Care Ecosystem and Platform, actively collaborating with companies and organizations in the health and medical fields, data providers, and IT companies. Leveraging our strengths in Science & Technology, we contribute to the creation of new medical services and strive to become a company that can contribute to the realization of a sustainable society.

► For more information on HaaS/DX initiatives, please refer to P21

Please tell us about Daiichi Sankyo Group's sustainable value creation process, which leverages the Group's strengths in Science & Technology to create new drugs and deliver them to patients globally, including your approach to creating shared value with stakeholders.

As a pharmaceutical company, I believe that we must meet the various demands and expectations from society, such as addressing unmet medical needs, improving access to medicines, addressing global environmental issues, engaging in corporate management with high ethical standards as a life science company, and taking ESG initiatives, while seriously addressing and responding to the specific requirements of each country and region in conducting our global business activities. In order

to meet these demands and expectations, and to sustainably circulate our value creation model that continuously creates innovative pharmaceuticals based on our strengths in Science & Technology and provides pharmaceuticals that address a wide variety of needs, we must manage with a long-term perspective. In the current 5-year business plan, we are strengthening ESG management to respond flexibly to new social issues and changes in the social environment, while incorporating the external environment into our business strategies. Our ESG management encompasses "management based on a long-term perspective that enhances both financial and non-financial value by reflecting ESG elements in business strategies," and we actively engage in dialogue with stakeholders to incorporate ESG perspectives. Furthermore, by creating shared value with patients and other stakeholders, we will provide the social and economic value we have created to our stakeholders. I believe that by circulating the process of reinvesting this as capital, we can achieve sustainable growth for both the Company and society.

In order to reinforce our strengths in Science & Technology and to expand our oncology business globally, I believe that the source of our competitiveness lies in acquiring and developing a diverse workforce and effectively managing human resources. We take on business strategy-linked to human capital enhancement initiatives by categorizing and clarifying "human capital," which is the most important capital invested in the value creation process, into three components: (1) the power of the individual, who is constantly growing; (2) the continuous supply of human resources to areas to be strengthened, structured in line with strategies; and (3) the structures, systems, and measures to synergize individuals and organization.

► For more information on value creation model, please refer to P17

► For more information on human capital, please refer to P19

Please tell us about the progress management and revisions of KPIs for Materiality linked to the current 5-year business plan, which was identified in FY2019, including the latest discussions

We have organized the material issues to be addressed for sustainable growth into "Materiality on Business" and "Materiality on Business Foundations," and have set long-term targets and KPI targets linked to the current 5-year business plan. In addition to reviewing progress twice every year, we add Materiality and improve and revise KPIs as necessary through discussions at the Executive Management Committee and the Board of Directors

based on the knowledge gained through constructive dialogues with internal and external stakeholders and changes in the external environment as we work to achieve our targets.

In March 2023, we added KPI targets related to two Materiality items. The first is the number of designations to the Priority Review System under the Materiality item of "Creating Innovative Pharmaceuticals." As an indicator that embodies our Mission and represents our commitment to fulfilling our Purpose by creating innovative pharmaceuticals and delivering them to patients as quickly as possible, we have set up a cumulative number of designations to the Priority Review System in Japan, the US, Europe, and China. The second is the establishment of CO₂ emission reduction targets that we request to our business partners under the Materiality item of "Promoting Environmental Management." In response to the growing demand in recent years to reduce CO₂ emissions throughout the supply chain to create a decarbonized society, we will collaborate with our business partners to reduce CO₂ emissions in society as a whole.

Furthermore, we continuously engage in discussions at the Board of Directors meetings regarding indicators for contribution to patients, indicators for social impact, and others aimed at achieving our 2030 Vision. In FY2022, we made progress in line with our KPI targets for FY2025.

► For more information on Materiality, please refer to P29

Please tell us about the progress of the current 5-year business plan and the outlook for achieving the FY2025 KPIs in light of changes in the business environment.

The current 5-year business plan is positioned as a plan to achieve the FY2025 target of becoming a "Global Pharma Innovator with Competitive Advantage in Oncology," and shift to the growth stage toward realizing our 2030 Vision. The four strategic pillars for shifting to the sustainable growth stage are "maximize 3ADCs," "profit growth for current business and products," "identify and build pillars for further growth," and "create shared value with stakeholders." As a foundation to support the execution of these four strategies, we are working to implement data-driven management through DX, company-wide transformation through advanced digital technology, and agile decision making thorough new global management structure.

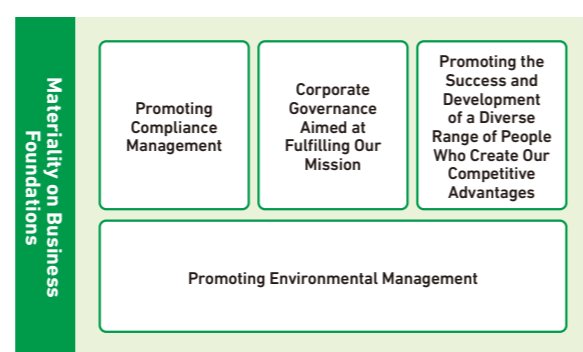
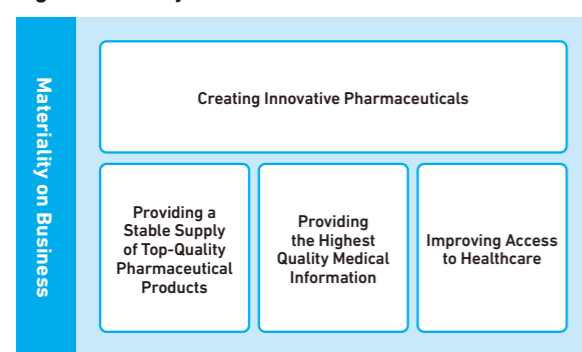
With regard to "maximize 3ADCs," the product value of *Enhertu* increased as we gained data that far exceeded the assumptions



of the current 5-year business plan, and our contribution to patients is rapidly expanding as we obtained new indications and expanded the number of marketed countries and regions. Furthermore, the product value of *Dato-DXd* and *HER3-DXd* has also improved significantly over the past two years. As for "profit growth for current business and products," we are progressing transformation into a profit structure focused on patented drugs, backed by growth in sales of *Lixiana*[®] in Japan, Europe, and China, as well as progress in launching new products and transferring products after the expiration of the exclusivity period in various countries and regions. In the area of "identify and build pillars for further growth," we are making steady progress in developing *DS-7300* (anti-B7-H3 ADC) and *DS-6000* (anti-CDH6 ADC), which are the next growth driver candidates following 3ADCs, as well as in selecting post DXd-ADC modalities. Moreover, in August 2023, we gained approval for the first Japan-made mRNA vaccine against COVID-19, *Daichirona*[®] for Intramuscular Injection (*DS-5670*).

With respect to "create shared value with stakeholders," we increased FY2022 dividends in order to further enhance shareholder value, reflecting the growth in profits from the expansion of *Enhertu* sales. We are accelerating our initiatives to address environmental issues, such as the shift to renewable energy sources for power used at our bases in Japan, in order to reduce the environmental footprint of the entire value chain. In terms of creating shared value with employees, we are fostering a One DS Culture in which all employees can work enthusiastically transcending nationality and cultural barriers by deepening

Eight Materiality Identified



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



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

CEO Interview

the understanding of the Group's common Core Behavior and promoting initiatives that help them embody these behaviors through workshops and other activities held by the management team and all employees.

The four strategies of the current 5-year Business Plan are progressing steadily. As for the revenue, which is a KPI for FY2025, we expect to achieve ¥2 trillion, which exceeds the target of ¥1.6 trillion by ¥400 billion, thanks to revenue growth in the oncology field, especially for *Enhertu*. Over the past two years, we have gained extremely positive data from *Enhertu* clinical trials, and product sales and milestone revenue expectation have far exceeded our initial plan. On the other hand, as clinical trials for DXd-ADCs are progressing faster than originally planned, mainly for *Enhertu* and *Dato-DXd*, we are actively executing investment for growth to realize sustainable growth. At the same time, by pursuing well-balanced cash allocation that takes into account shareholder returns, we aim to achieve our FY2025 targets of core operating profit ratio before R&D expenses of 40%, ROE of 16% or more, and DOE* of 8% or more.

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

▶ For more information on progress on the 5-year business plan, please refer to P35

▶ For more information on creating shared value with stakeholders, please refer to P37

What roles will you and the new president play in achieving the 2030 Vision, and what are your expectations for the new president?

I became Executive Chairperson and CEO, and Mr. Okuzawa, who had been CFO, was appointed President and COO in this April. We have been considering the next president as soon as we were on track to achieve the final fiscal year targets of the current 5-year business plan, and engaged in discussions regarding succession planning at the Nomination Committee, which is an advisory body to the Board of Directors. I am confident that Mr. Okuzawa's outstanding knowledge and career, as well as his integrity, which

builds the trust of his superiors, colleagues and subordinates, will enable him to overcome any challenges.

Since the CEO is ultimately responsible for the Company's decision-making, I will continue to assume ultimate responsibility for directing the Company from a long-term perspective, while delegating authority as much as possible to President Okuzawa for decision-making related to individual operations. We expect our revenue to far exceed our initial target for the final fiscal year of the current 5-year business plan, and the Group will be entering a period of unprecedented rapid global expansion. We must quickly expand and build up our management foundation in various areas, including our human resources and organization, and I would like President Okuzawa to make every effort to achieve the targets of the current 5-year business plan, and furthermore, to formulate the concept for the next business plan. I believe that he will be a person who can lead our Group to even greater success.

Finally, please leave a message for our shareholders and investors.

The social and business environment surrounding the Group is constantly changing. Nevertheless, we are committed to addressing the diverse demands and expectations from society and accelerating our initiatives to realize our 2030 Vision in order to fulfill our Purpose. Last year, we held our second ESG briefing session for shareholders and investors, where we engaged in constructive dialogue on the progress of the Group's ESG management. We will work to make further improvements based on their valuable feedback on expanding access to healthcare, investing in human capital, and strategically utilizing DX. We will further deepen discussions on advancing Materiality and clarifying social value with a view toward our 2030 Vision, as well as on creating shared value with patients and other stakeholders, and we will work as a unified Group to fulfill our Purpose.



In order to enhance our strengths in Science & Technology and to expand our global oncology business, I believe that the source of our competitiveness lies in acquiring and developing a diverse workforce and effectively managing human resources.