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 “Contributing 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 2000, 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-centric 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 (HaaaS) 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
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, 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 a society utilizing 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, utilizing 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.

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 our 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 sharing 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 value, we can achieve sustainable growth for 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.

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 added 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.

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 through new global management structure.

With regard to “maximize 3ADCs,” the product value of Einherju 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-Oxl and NER-JDx 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 05-7350 (anti-RTK1 ADC) and 05-4050 (anti-CDH4 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 mAbds vaccine against COVID-19, Daichirona® for Intramuscular Injection (DS-5673). 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 Einherju 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...


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 FY2023, 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-Dx, 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.

Finally planned, mainly for Enhertu and Dato-DX, we are actively promoting initiatives that help them embody these behaviors, 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.

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

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

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.

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.

Please tell us about your current state of mind and aspirations upon assuming the position of President and COO, as well as your experience and accomplishments to date.

I am very excited to take on the important responsibility of serving as President and COO of Daiichi Sankyo, a company built upon so many people’s hearts and minds, and to work with Dr. Manabe, Executive Chairperson and CEO, to manage the Company from April 1, 2023. Daiichi Sankyo Group has raised its revenue expectation from ¥1.6 trillion to ¥2 trillion for FY2025, the final fiscal year of the current 5-year business plan, in light of the rapid growth of the oncology business, which we entered in earnest by launching Enhertu® in FY2020. Furthermore, I place high expectations on the ADCs that are under development. I find it extremely rewarding to be appointed President at this juncture, and we will make a concerted effort to achieve the targets of the current 5-year business plan and realize our 2030 Vision.

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.

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.

We aim for remarkable growth as a truly global company by steadily achieving the targets of the current 5-year business plan to realize our 2030 Vision

Hiroyuki Okuzawa
Representative Director, President and COO

I joined Sankyo Company, Limited in 1986 and was subsequently involved in the negotiation of the business integration between Daiichi Pharmaceutical and Sankyo. I also worked on the acquisition of India-based Ranbaxy as well as the work that followed that acquisition and as the head of the Asia and Latin America region I focused on strengthening our business operations in China. I was also in charge of corporate strategy, human resources, and served as CFO. My favorite quote from Mahatma Gandhi, which I learned when I was in charge of the India business, is “Live as if you were to die tomorrow. Learn as if you were to live forever.” I believe that my specialty is in providing “coaching leadership.” Rather than giving out answers, I am a leader who supports employees by helping them come up with their own answers through dialogue. I would like to lead the Group by leveraging this specialty to fully harness the inherent strengths.
Please tell us about the Group’s growth strategy and initiatives aimed at achieving the goals of the current 5-year business plan, with a focus on the particularly important initiatives to take on in the current fiscal year.

**Maximize 3ADCs**
First and foremost, our most important theme is to maximize 3ADCs, and I would like to make FY2023 a year to help healthcare professionals and patients around the world better understand and experience the value provided by Enhertu® by expanding the indications and the marketed countries and regions. For DS-9600 (HER2-DXd), we will execute our respective development plans under a global structure with strong functional collaboration. Enhertu® is expanding at a faster pace than originally planned thanks to the approval for new indications such as for the second-line treatment of HER2 positive metastatic breast cancer and HER2 low metastatic breast cancer (post-chemotherapy treatment). We need to make a firm commitment to ensure a stable supply of the product. For patients who need our products, including Enhertu®, we will improve the accuracy of our demand forecasting and efficiently and gradually expand our supply capacity and personnel in line with product potential.

In addition, with a view to 2030 and beyond, we will constantly update and optimize our development plans and flexibly reallocate resources. I believe that now is the perfect time to create a sustainable growth cycle for the next 15 to 20 years, and we will make the most of the Enhertu® dividend in R&D and capital investment for new ADCs to achieve exponential growth.

**Profit growth for current business and products**
Although the oncology business is growing rapidly thanks to Enhertu®, the current growth of the Group is fundamentally supported by existing businesses and products, including the anticancer Lixiana® and the pain treatment Tariläge®. We will ensure further profit growth in these existing businesses and products. In particular, the product value of Lixiana has improved with the addition of new dosage and administration, and we will strive to further expand our market share in each market. In addition, we will take on the challenge of expanding the number of countries and regions where our cholesterol-lowering treatment Kloom®/Mustard® is available in Europe, increasing sales of our iron injection business in the US, and growing our business in China and other AUCA countries and regions, while also continuing to enhance transformation into a profit structure focused on patented drugs that are advancing steadily.

Finally, please tell us your thoughts on creating shared value with the Group’s stakeholders.

In addition to patients and their families, who are the most important stakeholders of the Group, we are working on creating shared value with our shareholders/investors, society, and employees as a pillar of our current 5-year business plan to promote ESG management, while also ensuring alignment with our Purpose.

Last year, we invited a person who had returned to their work after overcoming cancer treatment to our in-house lecture in order to foster a patient centric mindset among our employees. After hearing the guest saying, “I want to live as long as possible, because I believe that a better treatment will be discovered in the process,” I reaffirmed the fact that we are creating hope, while also further strengthening our commitment to our Purpose of “Contribute to the enrichment of quality of life around the world.”

I tell our employees that I want them to find the overlap between the Group’s Purpose and their own personal purpose and vision. Furthermore, shareholders and investors who agree with our Purpose and support us with a long-term perspective will always be essential to the Group as we create innovative pharmaceuticals, and I sincerely hope that they will continue to support our initiatives to enhance our corporate value. Finally, we would like to continue our efforts to become a company that is recognized as an indispensable presence in society.
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.

Value Creation Model Underpinned by our Strength in

Our Mission
- Contribute to the enrichment of quality of life around the world

Mission
Create innovative pharmaceuticals addressing diverse medical needs

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

Core Value / Core Behavior
- Promoting Environmental Management
- Promoting Compliance Management
- Corporate Governance Aimed at Fulfilling Our Mission
- Promoting the Success and Development of a Diverse Range of People Who Create Our Competitive Advantages

Materiality on Business
- Creating Innovative Pharmaceuticals
- Providing a Stable Supply of Top-Quality Pharmaceutical Products
- Providing the Highest Medical Information
- Improving Access to Healthcare

Materiality on Business Foundations
- Promoting Environmental Management
- Promoting Compliance Management
- Corporate Governance Aimed at Fulfilling Our Mission
- Promoting the Success and Development of a Diverse Range of People Who Create Our Competitive Advantages

Sustainable enhancement of corporate value through the value creation cycle

Requirements from Society

Human capital
- Number of global employees: 17,435 (as of March 31, 2023)

Intellectual capital
- Strategy and other ip assets
- Technologies and know-how for discovering and delivering new drugs
- Accumulated pharmaceutical information
- Research and development investments: 336.7 billion yen (FY2022)

Manufactured capital
- 13 production sites globally
- Utilization of our collaboration with CMOs (Contract Manufacturing Organizations)
- Capital investments: 103.6 billion yen including CMO investments (FY2022)

Social and relationship capital
- Footprint in 26 countries/regions around the world
- Firm relationship with stakeholders
- Ensuring trust through compliance

Natural capital
- Total area: 150.3 hectares
- Water consumed: 8,261,000 m3 (FY2022)

Financial capital
- Equity capital (total equity): 1.4459 trillion yen (as of March 31, 2023)
- Borrowed capital (total liabilities): 1.0630 trillion yen (as of March 31, 2023)
- 2030 Vision
Innovative Global Healthcare Company Contributing to the Sustainable Development of Society

Mid-term strategy (FY2021 to FY2025)
- Maximize 3ACs
- Profit growth for current business and products
- Identify and build pillars for further growth
- Create shared value with stakeholders

Output

Pharmaceuticals Responding to Diverse Medical Needs
- Innovative pharmaceuticals
- Generic pharmaceuticals
- Vaccines
- Consumer healthcare products

Patients
- Respond to emerging and re-emerging infectious diseases of the future

Example Outcomes
- Decrease CO2 emissions
- Increase productivity

Shareholders and investors
- Improve total shareholder return

Example Outcomes
- Achieve DOE exceeding the cost of equity

Society and the natural environment
- Encourage the mutual continuous growth of both our employees and our Group

Example Outcomes
- Increase social capital
- Improve engagement

Employees
- Reform standard of care
- Improve Quality of Life

Example Outcomes
- Expand the DOEs' indications as well as launched countries and regions
- Achieve early launch and expansion of indications of innovative pharmaceuticals
- Create pharmaceutical information in line with medical needs
Human Capital

—the most important capital in Daiichi Sankyo Group’s value creation model

The human capital of the Daiichi Sankyo Group is the driving force behind the evolution of our business model that leverages Science and Technology (S&T) for sustainable value creation. Here, we discuss how the Group’s human capital management makes the best use of human resources (HR) initiatives to enhance the value of human capital and the viability of our management strategy.

Our view of human capital

We position “our people” as the most important asset. We respect the differences of each employee and aim to achieve mutually sustainable growth in both employees and the Company by encouraging and developing talents in all areas of the value chain. All of our business activities are supported by employees and we believe that for the global expansion of our business, acquiring diverse talent and implementing effective HR management are the sources of our competitiveness.

We define human capital as a combination of three elements: (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.

Integration of management strategy and human capital expansion measures

Elements of human capital

- Power of individual (developing individual strengths)
- Highly specialized expertise and technological capabilities
- High level of engagement
- Self-directed actions (implementing Core Behavior)
- Power in numbers (continuous supply of human resources to area of strength)
- Power of synergy (structures, systems, and measures to create synergies among people and organizations)

Integration of management strategy and human capital expansion measures

- Expansion of talent to enable execution of management strategy
  - 2030 Vision: Innovative Global Healthcare Company Contributing to the Sustainable Development of Society
  - Management strategy: Further growth and development from oncology business expansion and globalization

Talent required for oncology business expansion and globalization

Global talent with specialized knowledge of group-wide operations, markets in each region/country, and regulatory requirements (at any site worldwide).

Specialized professionals to ensure an R&D pipeline and bring products to market (S&T/biopharmaceuticals)

DX professionals who can generate innovation and efficiency throughout our value chain

Power of individual (developing individual strengths)

- Advancing talents to meet expanding business needs
- Enhancing the power of individual through training and development

Power in numbers (continuous supply of human resources to area of strength)

- Pipeline that continually produces the talent required
- HR portfolio structured flexibly according to management strategy
- Pipeline that continually produces the talent required

Power of synergy (structures, systems, and measures to create synergies among people and organizations)

- Culture (including inclusion and diversity, I&D) that accelerates innovation
- Organizational structures adapted to business needs

Cycle of human capital management

To realize sustained value creation and growth, our human capital management is based on a series of management cycles wherein human capital is maximized and business foundations are strengthened so that the Company’s capital can be invested into business activities.

Integration of mid-term strategy and Materiality

Strengthening of human capital (future financials = pre-financials)

- Reinforcing other capitals by strengthening human capital

Strengthening of non-financial capital (future financials = pre-financials)

- Non-financial capital (future financials = pre-financials)
  - Manufacturing capital
  - AR global production system, stable supply

Cycle of human capital management

- Cycle of human capital management
  - Cycle of human capital management

Non-financial capital (future financials = pre-financials)

- Non-financial capital (future financials = pre-financials)
  - Manufacturing capital
  - AR global production system, stable supply

Social value

- Social value
  - Innovation in standard of care: Creating innovative pharmaceuticals to address unmet medical needs
  - Strengthening of invested capital: Enhancing the viability of the Group's businesses

Technological capital

- Technological capital
  - Digital transformation
  - Boosting S&T, creation of an innovative and proactive organization

Intellectual capital

- Intellectual capital
  - Creating innovative pharmaceuticals (number of designations)
  - Enhancing R&D capabilities, higher level of engagement, improvement in productivity

Social and relational capital

- Social and relational capital
  - Enhancing the trust of society

Reinforcing other capitals by strengthening human capital

- Reinforcing other capitals by strengthening human capital
  - Enhancing the trust of society

Non-financial capital (future financials = pre-financials)

- Non-financial capital (future financials = pre-financials)
  - Manufacturing capital
  - AR global production system, stable supply

Corporate value

- Corporate value
  - Financial value (current)
    - Expansion of sales revenue
    - Generating profits
    - Strengthening of invested capital
    - Efficiency
    - Reduction of capital costs
We are taking up the challenge of evolving as a Group toward realizing our 2030 Vision and growing sustainably beyond 2030.

In this special feature, we explain how we are addressing the three primary challenges that the Daiichi Sankyo Group is tackling to create new value in light of changes in society.

Our long-term growth objective is to become a global top 10 oncology company. To meet this goal, we are progressing our pipeline and pursuing the R&D strategy based on the “5DXd-ADCs and Next Wave” strategy to maximize the value of five DXd-ADCs and continuously create innovative pharmaceuticals.

We are creating new value unique to our Group and our vision of providing healthcare services beyond pharmaceutical therapies. These include health promotion to disease prevention to palliative care, to provide optimal services tailored to each individual’s Life Journey.

We understand the challenges associated with the globalization of our business, including building a global structure. Our organization must allow for timely and accurate decision-making, more sophisticated and efficient management, and strong global talents based on fostering the One DS Culture.

In this section, we describe how we are strengthening our foundation to address these major challenges Group-wide. We introduce our transformation initiatives aimed at further bolstering our Science & Technology (S&T) strengths, the driving force of our value creation, under the categories of human resources, technology, and organization.
**CHALLENGE 01**

**Identify and build pillars and actions for further growth**

The Daiichi Sankyo Group will maximize and expand scientific & technology, our strength and source of innovation, to realize our 2030 Vision to become a global top 10 oncology company by maximizing our five DXd-ADCs (SDK6-ADCs) built with our proprietary DXd-ADC technology, we will continue to rapidly deliver life-changing treatment options to more patients worldwide. Furthermore, for future sustainable growth, we will build and execute our R&D growth strategy to continue creating innovative pharmaceuticals beyond the SDK6-ADCs to patients around the world through drug discovery using a variety of modalities, such as our competitively superior ADC technologies. For source of innovation to improve patients’ lives around the world, our R&D model will enable us to achieve sustainable growth for the Daiichi Sankyo Group that is both scalable for global expansion and agile enough to respond to environmental challenges.

**Strategy and action plans (Figure 1)**

- Pursue the R&D strategy through steady progress of the “5DXd-ADCs and Next Wave” by maximizing the value of our five lead DXd-ADCs, establishing the next pillars of the oncology pipeline, and through identification and development of candidates for specialty medicine and vaccines.
- To contribute to the benefit of cancer patients through our Scientific & Technology, we are employing an Expand and Extend strategy to maximize the value of five DXd-ADCs and other oncology drugs in our pipeline. (Figure 2) Through the Expand strategy, we aim to 1) Establish DXd-ADC therapies in breast and lung cancers, 2) expand to patients earlier lines of therapy, and 3) expand into other cancer types with high unmet medical needs. In our Extend strategy, 1) we will address unmet needs based on the scientific merits of individual medicines in our pipeline. In addition to that, by taking into account our advantages in certain cancers with Enhertu® and other drugs from our pipeline, 2) we seek to create effective treatments for patients who are post-DX6d-ADCs including novel assets and next-generation/new-concept ADCs, and novel combinations.
- In the areas of specialty medicine and vaccines, we will build and execute growth strategies based on our proprietary modality technologies.
- To commercialize and deliver robust pipelines to patients rapidly, we will establish efficient and effective governance as a single “One Global R&D” organization that crosses regional and functional boundaries. We are building a global development platform that can be expanded as the pipeline grows. We are strengthening global early development and precision medicine* functions to accelerate the growth of post-DX6d-ADCs. We are also enhancing our drug discovery research productivity through exploratory research and digital transformation in oncology and specialty medicine to enhance our productivity in drug discovery.

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**CHALLENGE 02**

**Contributing to society by realizing HaaS**

The value that Daiichi Sankyo provides to society through HaaS.

Advances in drug research and development have led to the creation of an increasing number of promising products for cancer patients. On the other hand, there are many peripheral symptoms and quality of life (QoL) concerns, and there is an urgent need to address these that patients face, including physical issues such as fatigue and discomfort, psychological issues such as anxiety and stress, and economic and social issues such as social participation and concerns of family members and caregivers.

Solving these issues and contributing as much as possible to improving patients’ well-being requires comprehensive support and care.

We are working to solve these issues by establishing the Total Care Ecosystem*1/Total Care Platform*2 as part of our efforts to realize HaaS. In FY2022, we initiated the Total Care Ecosystem projects with Google, Google Cloud Japan, EvauCars and Deloitte Tohmatsu Financial Advisory. We are also working on developing various digital solutions centered on our Software as a Medical Device (SaMD) program, and for our mobile app that supports patients as they go through cancer treatment. We have incorporated patient feedback into product development and are currently preparing for supporting clinical trials also.

In the future, we will not only expand the range of diseases we seek to address, but we will also seek to improve the overall Patient Journey beyond medicines.

We believe these initiatives will contribute to a sustainable society by supporting health and well-being, reducing costs and expanding access to healthcare.

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* HaaS refers to providing health and medical services that are optimized and tailored to each individual by utilizing a variety of data and advanced technologies.
* An ecosystem in which companies, organizations, data providers, technology companies, and others in the health and medical fields collaborate to create and provide total care that covers health promotion, disease prevention, medical treatment, and prognosis, with the aim of improving global health through healthcare innovation.
* The Total Care Platform within the Total Care Ecosystem requires the collaboration of digital solutions that integrate personal health and medical data using a variety of technologies.
Globalization for the Daiichi Sankyo Group means bringing Enhera and other innovative pharmaceuticals and therapeutic solutions to people all over the world. To become a true innovative global healthcare company, we are building a global structure that enables more sophisticated and efficient organizational management and timely and accurate decision-making, and developing global talents with the ability to produce innovative results while working collaboratively with one another.

**Globalization**

To achieve our FY2025 target and realize our 2030 Vision, we work with a global network of members across various functions and regions to mobilize the Group’s collective strength and provide new treatment solutions to patients as fast as we can. We aim to streamline business operations by having four functional units direct the formulation and execution of global strategies in their respective areas of expertise, with six business units structured around disease areas responsible for formulating and executing strategies for each area and region. On April 1, 2023, we revised our global management structure to further globalize, including by establishing the Technology Unit consisting of Pharmaceutical Technology, Supply Chain and Biologics Units. We named chief officers*4 Chief Strategy Officer (CSO), Chief Digital Transformation Officer (CDXO), Chief Human Resources Officer (ChRO), and Senior Counsel.

*4  Chief Strategy Officer (CSO), Chief Digital Transformation Officer (CDXO), Chief Human Resources Officer (ChRO), Senior Counsel.

In light of the shift toward global business, IT infrastructure that can seamlessly integrate at the global level is essential. We are currently building a new environment that enhances global communication and collaboration and are working on the C2 Project (Global Communication Collaboration Project), which is designed to promote longer and more unified collaboration and synergies among regions and divisions through a centralized technology platform. Not only will this tool foster more global efficiencies for the business, but it will also support our goal to bring people with different backgrounds together and enable better understanding of each other.

**Improvement results in Core Behavior and Engagement in the FY2022 Global Engagement Survey**

| Category | Item | FY2022 | FY2021 | Improvement
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<tbody>
<tr>
<td>Core Behavior</td>
<td>Voice</td>
<td>42</td>
<td>41</td>
<td>+1</td>
</tr>
<tr>
<td></td>
<td>Trust-Team</td>
<td>89</td>
<td>90</td>
<td>-1</td>
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<td></td>
<td>Growth</td>
<td>89</td>
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<td>Collaboration</td>
<td>83</td>
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<td></td>
<td>Transparency</td>
<td>82</td>
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Today, Daiichi Sankyo is at a stage where it has the potential to make an unprecedented leap forward. To realize our 2030 Vision and become a truly global company in accordance with our Purpose, it is essential that we translate the diversity of our employees into an asset. From my own experience to date, I am keenly aware of the perspectives, knowledge, and experiences of many different people are essential to success, and believe this is the essence of I&D. It is also important to ensure the next generation of talent who will lead the next generation of success at Daiichi Sankyo are supported and feel they belong.

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**Fostering a One DS Culture and developing global talent**

The Daiichi Sankyo Group employs more than 17,000 people worldwide. To bring medicines such as Liviana and Enhera as well as other products under development to patients around the world, we need our employees to collaborate and work together seamlessly throughout the value chain. In order to realize our 2030 Vision of becoming an “Innovative Global Healthcare Company Contributing to the Sustainable Development of Society” and evolve into a truly global company, we must not only globalize our organizational structure, but also develop global diverse talent from different cultures and with unique ways of thinking. It is also important to foster a corporate culture where all employees learn and grow, trust each other, have a sense of belonging, and remain engaged. We are building a human resource infrastructure that enables all of the above, so that the organization can function effectively. Against this backdrop, we are promoting the Global Culture Initiative to foster a One DS Culture, while also establishing a global leadership development program and a shared global human resource (HR) system and HR Information system.

**One DS Culture**

We are working to foster a unified One DS Culture, which helps support business expansion on a global scale. By overcoming the challenges we face while leveraging our knowledge and strengths, we aim to create a workplace where all employees can work energetically, embracing our differences such as gender, disability, nationality, and cultural barriers. We will innovate for our patients by understanding and practicing the three Daiichi Sankyo Core Behaviors, building trust across functions and regions and effectively aligning our employees around the world to realize our Purpose and Vision.

**Shared global talent development**

Among the global engagement survey items, we monitor the “Opportunities for Growth” score as a key performance indicator of our culture and engagement objectives. To support shared global talent development measure, we are now offering multiple in-person and online learning opportunities to global employees, creating an environment that enables anyone to learn anytime and anywhere.

**Inclusion & Diversity (I&D)**

We believe that having a diverse workforce of various nationalities, experiences, races, genders, lifestyles, disabilities and ages will enable us to bring forward innovative ideas for patients, will help all employees feel they belong, and allow each of us to maximize our own potential. On International Women’s Day in March 2022, we announced our Global Inclusion & Diversity (I&D) Statement to clearly state both internally and externally our stance and approach to I&D as part of our efforts to create a diverse and inclusive organization.

**VOICE**

Takashi Matsumoto
ChRO

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**VOICE**

Miyuki Arai
Audit & Supervisory Board Member

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**VOICE**

Takao Iseki
IT Head Americas Daiichi Sankyo"
Transformation to boost strengths in S&T

This section introduces the transformation centered on human resources, technology, and organization aimed at further boosting our greatest strengths in Science & Technology (S&T), the source of the Daiichi Sankyo Group’s value creation.

**Strengthening Talents**

Proactively acquiring highly specialized professionals to underpin our strengths in S&T

To further boost our strengths in S&T, we not only develop our current talent, but we also seek to recruit top S&T talent externally, particularly those with a transformation mindset, in the areas of drug discovery research, pharmaceutical technology, and digital transformation (DX) professionals*. Since FY2020, the ratio of S&T and DX professionals as a percentage of all career hires has reached 60-70% globally. To further boost our strengths in S&T, we will continue to focus on attracting excellent talent through a variety of recruiting channels.

Company-wide business transformation through advanced digital technologies and data utilization

To flexibly respond to changes in the environment through the use of advanced digital technologies and data, we must reform existing systems and business processes, and foster a culture of transformation. The DX promotion function explores and evaluates advanced digital technologies that may have a high impact on our business, and matches technologies to issues and transformation needs across divisions and the entire company. Most recently, we have developed measures to promote the use of advanced digital technologies such as cloud services including generative AI such as ChatGPT as well as the Metaverse. As for the generative AI, we have been promoting its use within the company since this fiscal year by operating our own in-house cybersecurity environment with information management and security risk countermeasures in place.

Through the experience of using Metaverse, we are also trying to create and materialize ideas for business utilization, which is expected to lead promote DX from the individual employee level and foster a DX promotion culture.

Accelerating and automating R&D by applying data-driven drug discovery and drug development, AI, and other technologies

We are utilizing AI for compound design and property prediction to discover high-probability new drug candidates and accelerate drug discovery. In addition, we are leveraging IDAP for safety information monitoring. Furthermore, we are incorporating Real World Evidence (RWE)** obtained from analyzing Real World Data (RWD) to apply for drug approvals in the field of oncology, including our five lead ADCs, as well as to understand the real world treatment use and conduct cost-effectiveness analysis. Furthermore, to improve efficiency in supporting clinical trials, we will use AI technologies to automatically identify protocol deviation categories. These efforts facilitate efficient and rapid clinical development and accelerated delivery of therapeutic options.

* For more information on the use of DX in oncology, please refer to P34
** Clinical evidence gained from analyzing Real World Data on patient health status and/or health care delivery routinely collected from a variety of data sources

**Advancing Organization**

Our Technology Unit’s challenges to contribute to patients around the world

We commit to ensuring a stable supply of investigational drugs and commercial products globally, reducing costs continuously, contributing to new modality development, and creating technology-based new businesses, by taking responsibilities from developing technologies and processes to commercial manufacturing/supply, through consistent technological/manufacturing managements throughout the product lifecycle.

The Technology Unit’s 2030 Vision is “A Global Technology Unit creating the future of healthcare”. This Vision reflects five aspirations and ambitions.

(1) Challenge the status quo with a flexible and open mind
(2) Explore futuristic technology strategy and realize diverse advanced technologies
(3) Generate and strengthen businesses through ideas that combine technology, digital, and assets
(4) Clinically and commercially integrate global organization that can proactively and flexibly respond to environmental changes
(5) Develop talents and global leaders who lead the entire value chain

We will contribute to the rapid and reliable delivery of our innovative pharmaceutical solutions to patients around the world, by further deepening and integrating our collaboration beyond the organizational boundaries with realizing our Vision, aspirations, and ambitions.
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 then sorted these issues into two groups: Materiality on business and Materiality on business foundations. Upon formulating our current 5-year business plan, in addition to long-term targets and challenges for each Materiality, we set Materiality key performance indicators (KPIs) as initiative indicators.

Materiality Identification 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 based on several reviews and active discussions at Executive Management Committee and Board of Directors, and dialogue with our stakeholders. Subsequently, we announced KPIs, indicators of initiatives for each Materiality in April 2021. Our Materiality identification and KPI setting process is shown in the figure below.

Materiality Management

We promote Materiality management under a system in which the Corporate Planning Department and Sustainability Promotion Department serve as the administrative office. In addition, regarding matters related to EHS management and compliance management, our cross-organizational committees (EHS Management Committee, Corporate Ethics Committee) decide on our action policies and strive to promote them throughout our company while also reporting important issues to the Executive Management Committee and Board of Directors.

In order to promptly reflect any change in the impact on the business of the Group due to changes in the expectations and requests from society as well as our external environment to our Materiality and to work toward further evolution, we set targets and conduct reviews of each relevant material issue, manage the progress, and promote regular discussions by the Executive Management Committee and Board of Directors in the annual management cycle. During our FY2022 discussions, we decided to add “cumulative number of projects designated to the priority review system” as a new KPI to indicate the realization of our Purpose by more quickly delivering our innovative pharmaceuticals to patients. In addition, in recent years, there has been a much stronger need to reduce CO2 emissions throughout the supply chain (Scope 1, 2, and 3) to help achieve a decarbonized society, so we have set the following as one of our KPI targets ensuring that at least 70% of our business partners (Scope 3, Category 1) set targets at the 1.5°C level (the SBT level). To achieve our 2030 Vision, we are also continuing to consider our indicators for contribution to patients and social impact, human capital management and disclosure, including discussion by the Board of Directors.

Through the implementation of ESG briefings and daily interview, we engage in constructive dialogue with our stakeholders both within and outside the Company, including investors, to gain an understanding of the expectations and needs of society. We apply the knowledge we gain to sustainability promotion, and in particular, we are considering our indicators for contribution to patients in order to set our KPIs and targets.

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 retain 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 SDC with the goal of becoming an advanced global pharma innovator with strength in oncology by 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 resilient supply chain 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

Health professionals can use pharmaceuticals with confidence in treating patients and solving medical issues through this, so is considered 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 through 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 risk management 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” issue, 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.
List of Materiality

Materiality on Business Foundation

Creating Innovative Pharmaceuticals

- Create the advanced product development transformation of the SOC in the oncology field
- Development of innovative medicines and preventive measures in new modalities

Driving Financial Sustainability

- Create innovative pharmaceuticals continuously utilizing our strength in science & technology
- Achieve sustainable growth by transforming the SOC in the oncology field

Innovating for a Sustainable Future

- Promoting the development of innovative medicines and preventive measures in new modalities

Engage with Stakeholders

- Promote our relationship with CSR stakeholders
- Achieve sustainable growth by transforming the SOC in the oncology field

Creating Enhanced Value

- Create innovation and investment in core growth technologies
- Enhance value creation by applying core growth technologies

Materiality on Business

Innovating for a Sustainable Future

- Encourage the development of innovative medicines and preventive measures in new modalities

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- Promoting the development of innovative medicines and preventive measures in new modalities

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- Promote our relationship with CSR stakeholders
- Achieve sustainable growth by transforming the SOC in the oncology field

Creating Enhanced Value

- Create innovation and investment in core growth technologies
- Enhance value creation by applying core growth technologies
One of our most important challenges is to continuously create innovative pharmaceuticals and deliver them to as many patients as possible by leveraging our strength in Science & Technology (SAT). The following is an overview of our Materiality on Business initiatives to maximize the value of Enhertu to achieve our goal of becoming a Global Pharma Innovator with a competitive advantage in oncology.

Maximizing the value of Enhertu

Achievements in FY2022

- **Toward Expanding Indications for Enhertu**
  - We are working to expand the range of indications for Enhertu, our flagship mainstay product, to make it the first cancer drug of choice that can transform treatment and outcomes for patients with HER2-targetable tumors. In FY2022, we received approval for the second-line treatment of HER2 positive metastatic breast cancer and HER2 low metastatic breast cancer (post-chemotherapy treatment) in Japan, the US, and Europe, and for the second-line treatment of HER2 mutant metastatic non-small-cell lung cancer in the US. Furthermore, we will continue our activities to deliver new treatments to patients and medical communities as quickly as possible in the field of oncology, where many people still suffer.

- **Creating innovative pharmaceuticals**
  - We are making capital investments in our own plants to maximize the supply of the 35 countries regions, which is the key to our transformation into a global R&D leader in oncology. Furthermore, to ensure a stable supply in the future, we are implementing measures such as securing production lines from contract manufacturing organizations (CMOs) in addition to boosting our own manufacturing capacity. In FY2022, we made the decision to invest approximately ¥65.1 billion. We will build a global production and supply system with appropriate capital investment to accommodate the increase in ADCs and other new modality products.

- **Providing a stable supply of top-quality pharmaceutical products**
  - With the global launch of oncology products, it has become increasingly important to manage and monitor the enormous amount of safety information in a timely manner. We use the Integrated Data Analysis Platform (IDAP) to streamline data aggregation and to monitor the compliance status of proper use more efficiently. With regard to interstitial lung disease, which is a particularly important component of the safety profile, we have achieved timely monitoring and provision of safety information in oncology.

- **Improving access to healthcare**
  - Enhertu was first launched in the US in January 2020 for its first indication, third-line treatment of HER2-positive metastatic breast cancer, followed by Japan in May 2020 and Europe in February 2021. Since then, we have been working to accelerate market penetration in Japan, the US, and Europe, as well as to quickly launch the product in other markets and further expand the range of indications. We have a strategic alliance with AstraZeneca, which does business in more than 70 countries and regions in the oncology field, and Enhertu is now available in a total of 35 countries and regions as of the end of March 2023. In addition, we have provided the product to approximately 29,000 patients as of June 2023.
In April 2021, the Daiichi Sankyo Group announced its current 5-year business plan (FY2021-FY2025) toward realizing our 2030 Vision. Following is an overview of major initiatives under that 5-year plan.

**Maximize our 3 Lead ADCs**
- **Enhertu**, Dato-DXd, and HER3-DXd, which are all based on our proprietary Dxi-ADC technology. These three medicines are strategic priorities where we are concentrating much of our R&D and human resources.
- The oncology area, we expect to achieve revenue of over ¥900 billion in FY2025, well above the ¥600 billion originally planned, thanks to the strong sales prospects of Enhertu and the steady progress in development for the three lead ADCs.

Figure 1: Expectation on Oncology Revenue (as of 2023 April)

**Enhertu**
- Dato-DXd
- HER3-DXd

Our three lead ADCs refer to Enhertu, Dato-DXd, and HER3-DXd which are all based on our proprietary Dxi-ADC technology. These three medicines are strategic priorities where we are concentrating much of our R&D and human resources. In the oncology area, we expect to achieve revenue of over ¥900 billion in FY2025, well above the ¥600 billion originally planned, thanks to the strong sales prospects of Enhertu and the steady progress in development for the three lead ADCs.

Enhertu is our largest growth driver. In FY2022, Enhertu earned new indications in the US, Europe, and Japan as a second-line treatment for HER2 positive breast cancer, and for HER2 low breast cancer post-chemotherapy treatment, thanks to positive results in the DESTINY-Breast03 and DESTINY-Breast04 trials. In lung cancer, Enhertu was approved in the US as a second-line treatment for non-small cell lung cancer (NSCLC) with HER2 mutation. Furthermore, we are steadily expanding the number of countries and regions where this medicine is available, including China, where it is indicated for the second-line treatment of HER2 positive breast cancer. FY2022 global Enhertu sales grew to ¥207.5 billion.

Research and development to further maximize the value of Enhertu is steadily progressing, and we anticipate new indication approvals during the current 5-year business plan to far exceed our initial plan. (Figure 2) In addition, the development of both Dato-DXd and HER3-DXd is progressing faster than originally planned. Pivotal trials are progressing, and multiple phase 3 trials for additional indications after launch already initiated. To complete these trials, we expect R&D expenses to exceed our initial plan. However, all of these trials are essential for maximizing these three ADCs for the ultimate benefit of patients with these devastating and difficult types of cancer.

We are making priority investments in Dxi-ADC development with the aim of securing approval and delivering these medicines to patients as soon as possible for further growth in the future. We are making priority investments in Dxi-ADC development with the aim of securing approval and delivering these medicines to patients as soon as possible for further growth in the future.

**Profit growth for current business and products**
- **Lixiana**
- **Om nostalgic**

For our existing global mainstay product, Lixiana, the addition of a new dosage and administration regimen has improved the value of the product. Sales in each country and region continue to grow faster than expected. In addition to Japan, Korea, and Taiwan, sales are steadily expanding in Belgium, Spain, the UK, and other European countries. In FY2022, global revenue for Lixiana rose ¥3.8 billion year on year to ¥244.0 billion; in FY2023, we aim to further accelerate growth to reach ¥259.4 billion in revenue. (Figure 3)

To enhance our product portfolio, we launched a new orally disintegrating tablet (ODT) tablet in Japan in May 2022 for Minnebro®, an antihypertensive agent we began marketing in 2019. Furthermore, under a marketing alliance agreement with Eli Lilly Japan, we launched migraine medication

**Revenue** in June 2022. We launched anti-cancer agent **Ezharmia** in December 2022. In September 2022, we obtained approval for the OD tablets of pain treatment Tariflare 1.5% and are preparing to launch the product in the first half of the year 2023. In March 2023, we received marketing approval for intranasal live attenuated influenza vaccine Flumir as an indication of prevention, for which we have a development and marketing license agreement with Astellas’s subsidiary Medimmune. We aim to launch this vaccine in FY2023.

In the US in August FY2022, American Regent acquired HBT Labs, Inc., a company engaged in the research and development, manufacturing, and marketing of generic oncology injectable drugs. Through synergies with HBT Labs, we aim to strengthen our product portfolio and further grow our generic injectables business. Furthermore, Daiichi Sankyo Healthcare has achieved steady profit growth by gaining the top market share in its target market of OTC drugs.

**Create shared value with stakeholders**
- **Patients:** Contributing to patients through patient-centric mindset
- **Shareholders:** Balanced investment for growth and shareholder returns
- **Society:** Environmental load reduction across the value chain, and actions against pandemic risks

For more information on creation of shared value with patients, please refer to P45 For more information on creation of shared value with stakeholders, please refer to P46

**Figure 2: 3ADCs launch plan**

**Figure 3: Lixiana : Growth in each country/region**

**Figure 4: Diverse modalities**

**Figure 5: Gene delivery & targeting**

**Figure 6: Digital solutions**

**Figure 7: Network science**

**Figure 8: Advanced digitalization**

To promote ESG management from a long-term perspective, we are engaging in creating shared value with our stakeholders, including patients, shareholders, investors, the society and environment, and employees. In terms of co-creating with society, we are making progress in addressing pandemic risk with DS-5670, an mRNA vaccine we are developing to prevent COVID-19. The research and development of DS-5670 has been supported by the Project for Promotion of Vaccine Research and Development of the Japan Agency for Medical Research and Development (AMED) and the Emergency Project for Vaccine Development and Production System Improvement of the Ministry of Health, Labour and Welfare. In August 2023, we received approval of the original strain booster vaccination, and in May 2023 we started phase 3 trials of the mutant strain vaccine. Based on the trial results, we aim to obtain approval for Omicron strain vaccines and supply mRNA vaccines for new variant strains in Japan.

* DS-5670: A vaccine candidate against SARS-CoV-2 (COVID-19) developed by Daiichi Sankyo and Regeneron Pharmaceuticals. It is a two-dose regimen with an mRNA vaccine, and in August 2023, the US Food and Drug Administration (FDA) granted emergency use authorization for the vaccine.

**For more information on creation of shared value with stakeholders, please refer to P46**
Creating Shared Value with Stakeholders

Here we introduce how we create shared value with patients, business partners, and employees all while respecting the Earth and our global environment. “Creating Shared Value with Stakeholders” is one of the strategic pillars of our current 5-year business plan (FY2021-2025).

To continue realizing our Purpose to “contribute to the enrichment of quality of life around the world,” we must promote ESG management from a long-term perspective. In doing so, we believe it is extremely important to build mutual trust with patients and a variety of other stakeholders.

The Daiichi Sankyo Group views stakeholder expectations as a sustainability issue, and we are committed to integrating this into our corporate strategy and working on it as part of our business activities. These include promoting patient centricity, driving toward carbon neutrality, fostering our One DS Culture, and leveraging Daiichi Sankyo’s strengths. We must understand and fulfill the expectations and needs of our diverse and valued stakeholders - patients, shareholders, investors, society, and employees. We ensure that patients’ voices are woven into our own value chain - transcending organizational boundaries. We will continue to work together with our stakeholders to build a sustainable society through constructive dialogue and further pursuing innovation and overcoming new challenges.

Creating shared value with patients

Patient Advocacy

The Group has always put the patient at the center of all of its activities and is continually building on our patient-centric initiatives.

The primary goal of Daiichi Sankyo Global Medical Affairs function is to accelerate scientific understanding to improve patients’ lives. We work to close existing evidence gaps with information that healthcare providers and payers require, to help them make optimal treatment decisions with their patients. Global Oncology Medical Affairs (GOMA), which sits within the Oncology Business Unit (OBU), develops medical strategies for the collection and dissemination of data and scientific evidence through support for, and execution of, clinical research, observational studies, meta-analysis, investigator-initiated clinical trials, and expanded access programs, with a vision to be articulated in the patient’s treatment plans, to select a card and carry it with them throughout the day as a reminder of why we do what we do.

We welcome a patient to our booth in order to reinforce our commitment to patients at the ASCO (American Society of Clinical Oncology) Meeting by:

- Providing clinical trial-related materials for patients and the medical practice. We will be contributing to the realization of “Life with a smile” for people all over the world across the entire value chain.

For more information on creating shared value with shareholders and investors, see P45.

COMPASS (Compass for Patients Strategy)

COMPASS was launched in 2014 as a cross-functional activity of the R&D Division in Japan, and we have provided hospital training programs involving our employees and exchanges with patients with the aim of promoting patient-oriented drug discovery. From FY2022, we expanded the scope of activities to include the entire Daiichi Sankyo Group. We launched the “Healthcare Café” together with Takada Pharmaceutical Company Limited, Santen Pharmaceutical Co., Ltd., and Kyowa Kirin Co., Ltd., and organize events to hear directly from patients. Through these activities, employees have gained a wealth of insight on the perspectives of patients and the medical practice. We will be contributing to the realization of “Life with a smile” for people all over the world across the entire value chain.

For more information on a dialogue event with patients “Healthy Café”, please click here.

https://www.daiichisankyo.com/company/sustainability/our_approach/patient_care/

PFDD (Patient-Focused Drug Development)

In order to create maximum value for pharmaceuticals, clinical trials should be developed with a clear understanding of how patients experience their disease and what are patients looking for in a new therapy. Conducting high-quality clinical trials not only reduces the burden on patients and therefore supports enrollment so that we can seek to shorten the time between discovery and drug approval. PFDD is an activity that promotes drug development and builds trust among the patient community by specifically incorporating the experiences, perspectives, needs, and priorities of patients into the process from drafting drug development concepts to submitting applications for approval including planning and conducting clinical trials. We created the PFDD Framework unique to Daiichi Sankyo in Japan that enables the timely exchange and sharing of opinions through alliances with a patient advocacy groups, healthcare providers with patient networks, and the Clinical Research Coordinators (CRC) Board.

This framework enables us to incorporate a wide range of patient feedback into clinical trial processes, including the informed consent forms, the clinical trial protocol, Thank You Letter, and Plain Language Summaries of clinical trial results. In addition, we will collaborate to actively disseminate information at external seminars, academic conferences, and industry associations, and help create an environment where patients can actively communicate and provide their opinions to the pharmaceutical industry and other stakeholders, thereby contributing to better medical care.

▶ For more information on creating shared value with shareholders and investors, see P45.

VOICE

In July 2023, we conducted an online survey involving our employees. A total of 1,068 employees at Daiichi Sankyo answered our questions and provided us with their feedback. This feedback has been extremely valuable as we continue to work towards our values.

- 90% of respondents believe that our values are lived in our everyday work.
- 90% of respondents believe that our values are lived in our everyday work.

Voice survey result summary

In order to create maximum value for pharmaceuticals, clinical trials should be developed with a clear understanding of how patients experience their disease and what are patients looking for in a new therapy. Conducting high-quality clinical trials not only reduces the burden on patients and therefore supports enrollment so that we can seek to shorten the time between discovery and drug approval. PFDD is an activity that promotes drug development and builds trust among the patient community by specifically incorporating the experiences, perspectives, needs, and priorities of patients into the process from drafting drug development concepts to submitting applications for approval including planning and conducting clinical trials. We created the PFDD Framework unique to Daiichi Sankyo in Japan that enables the timely exchange and sharing of opinions through alliances with a patient advocacy groups, healthcare providers with patient networks, and the Clinical Research Coordinators (CRC) Board.

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Voice survey result summary

For more information on creating shared value with shareholders and investors, see P45.
Creating shared value with business partners

Sustainable procurement initiatives
We conduct a sustainable procurement survey of major business partners in Japan and overseas once every three years, and engage in interactive communication with selected business partners based on the results of the survey. In addition, we apply the knowledge gained from dialogue with our business partners into planning external awareness-raising activities for proactive sustainability throughout the supply chain.

Business partner management
When a risk is detected during continuous monitoring of our business partners, depending on the severity of the risk, we will conduct interviews with our business partners. Through these interactions, we encourage our business partners to improve and mitigate ESG risks, including those related to corruption, data protection, human rights, and the environment. In addition, we expect our business partners to have a deep understanding of sustainability, including our Business Partner Code of Conduct (BPCC).

Conduct (BPCC).
Looking ahead, we will establish more optimal business partner selection criteria, methods, and processes, and plan to strengthen collaboration with our business partners.

Creating shared value with employees

Global Culture Initiative
To realize our 2030 Vision of becoming an “Innovative Global Healthcare Company Contributing to the Sustainable Development of Society,” we need to become a truly global organization.

Our Global Culture Initiative (GGCI) aims to foster the One DS Culture across corporate culture that is essential for thinking, acting, creating energy and engagement, and operating globally and contributing more broadly to patients and society at large.

At the center of our One DS Culture are our three Core Behaviors. Through these efforts, we will build relationships with each other that enable employees across the Group globally to cooperate with each other based on trust. Trust will allow us to share not only successes but also failures without hesitation, thereby enhancing employee growth and engagement. This culture will be a competitive advantage in our efforts to creating innovative pharmaceuticals, the benefit of people around the world. Although there are challenges such as language and time zone differences, we will encourage the mutual continuous growth of both our employees and our Group through creating shared value with employees in order to truly embed this culture into the organization.

Core Behavior
Be Inclusive & Embrace Diversity
We value people for who they are as individuals, and welcome diverse perspectives in our work, which enables us to achieve more as Daiichi Sankyo.

Collaborate & Trust
We treat each other with respect and build trust through transparency and willingness to listen, which enables us to collaborate simply and productively.

Develop & Grow
We learn, experiment, and take initiative, which enables us to grow together every day and strengthen Daiichi Sankyo’s capability.

Examples of activities

Support of GGCI activities by Culture Ambassadors
Culture Ambassadors are selected by the Global Leaders who are responsible for fostering the One DS Culture in their respective organization and promote the GGCI activities as a team.

Culture Ambassadors implements activities that are highly convincing through measures arranged according to the employees’ opinions and situations. In addition, by sharing issues, initiatives, and success stories of each organization, we are fostering a more effective and efficient One DS Culture globally.

Establishment of the Core Behavior Awards
In FY2022, we held the first Core Behavior Awards event globally. We nominated, selected, and awarded employees who embody Core Behaviors well, and three people were awarded for the year.

This initiative is aimed at encouraging employees to practice Core Behavior by not only boosting the motivation of award winners but also by disseminating model examples of Core Behavior practices to further foster the One DS Culture.

As we learned that there are differences in the penetration and implementation of Core Behavior among regions, we will work to boost our employees to naturally practice Core Behavior.

Creating shared value for the environment

Medicine packet recycling program
In October 2022, Daiichi Sankyo Healthcare and TerraCycle Japan, in cooperation with Yokohama City, launched the pilot program of Medicine Packet Recycling Program, Japan’s first consumer participation program to collect and recycle medicine blister packs (PTP sheets*6). In this program, participants drop off their empty medicine blister packs in boxes located at collection points. The collected blister packs are separated into plastic and aluminum, each of which is recycled into a new resource.

Because blister packs are the most efficient and safest way to deliver many medicines to patients, they are likely to remain the best standard packaging for many pharmaceuticals. In addition, usage is expected to grow as the population ages. We are proud that our program aims to raise awareness among consumers that medicine packs are a recyclable resource, and to establish a system for recycling them.

In April 2023, about halfway through the pilot program, we had already substantially exceeded our initial collection volume target, so we raised our new target to 500,000 packs, or five times the initial target, and doubled the number of collection sites to 60 locations, and will continue to advance our initiatives.

Going forward, we will regularly conduct external awareness-raising activities to further promote the sustainability activities of our business partners, and will aim to create a sustainable society by further enhancing each other’s sustainability activities.

Medicine Packet Recycling Program, Japan’s first*6
Consumer participation recycling program (as of October 20, 2022, according to TerraCycle Japan).

*6 Consumer participation recycling program (as of October 20, 2022, according to TerraCycle Japan).

Examples of environmental initiatives
For more information about environmental initiatives, please refer to P69

For more information about the sustainable procurement survey, please refer to P73

Examples of activities

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**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 by 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. The Head of Global Compliance and Risk oversees risk management across the entire Group as the Risk Management Officer (RMO), and promotes risk management in line with the annual cycle of business planning and execution.

In addition, the heads of each unit autonomously 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 below on the Group’s risk level classification). In addition, responsible persons are appointed for each Material Risk and they implement risk countermeasures in cooperation with relevant organizations. Should signs of a Material Risk be detected, responsible person is instructed to swiftly provide relevant information to the RMO, who will then report to the CEO. In addition, the progress of Material Risk countermeasures is periodically monitored twice a year, and are revised as necessary. If new material risks requiring urgent action are identified, they will be added to the list of Material Risks 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](https://example.com/diagram)

**Diagram of Risk Management System**

- **Material Risks**
  - Directed by the EMC and the Board of Directors
  - Managed by each Unit and Function

- **Materialized Risks and Emergency Events**
  - Determined and instructed by the Crisis Management Officer

**Overview of Risk and Crisis Management**

**Risk Management Under Normal Circumstances**

<table>
<thead>
<tr>
<th>Risk Management</th>
<th>Materialized Risks and Emergency Events</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Definition of “Risk”</strong></td>
<td>Factors that prevent the achievement of business goals</td>
</tr>
<tr>
<td>Proper response to assess and analyze risks and then contain the risks within acceptable limits.</td>
<td></td>
</tr>
<tr>
<td><strong>Definition of “Crisis”</strong></td>
<td>When risks have materialized and require emergency response, or when risks have an extremely high likelihood of materializing</td>
</tr>
<tr>
<td>Preparations to minimize impact and damage in the event of a crisis, and comprehensive response from occurrence to resolution</td>
<td></td>
</tr>
</tbody>
</table>

**Business Continuity Plan (BCP)**

- **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
  - Examine the management resources required to continue critical business operations, establish recovery procedures, and ensure that plans are maintained and improved

**Crisis Management**

The Daiichi Sankyo Group Crisis Management Policy defines 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. For the purpose of minimizing loss due to the occurrence of a crisis, the policy stipulates basic items related to crisis management: “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.” The Group also has a structure to respond flexibly to crisis depending on the type (disaster/accident, incident including terrorism, scandal, breach of laws, information management-related problem, product-related problem) or the degree of impact of the crisis (see the “Initial Response to Crisis” diagram below). We have clearly specified the reporting criteria and channels and established the Crisis Management Officer (either the CEO or a person appointed by the CEO), and the Crisis Initial Response Officer (the Vice President of Compliance & Risk Management Department). For a crisis with a significant global impact requiring company-wide response, we strive to prevent the situation from escalating and to resolve it by sharing the relevant information with the RMO (Head of Global Compliance and Risk) and through quick and appropriate initial response. After the crisis has been resolved, we conduct ex-post analysis to prevent its recurrence and improve our measures.

**Initial Response to Crisis**

- **Head of department where crisis originated (overseas/within)**
- **Person responsible for crisis response**
- **Crisis Initial Response Officer**
  - (Head of Global Compliance & Risk Management Department)
  - (Designated by the EMC and the Board of Directors)

**Business Continuity Plan (BCP)**

We have established a business continuity plan (BCP) with an all-hazards approach to address various threats to business continuity, and have built a system to ensure the stable supply and quality of drugs as well as the continuity of research and development in order to meet the demands of society even in times of emergency. To respond to the increasing diversity of crises and the globalization of business, we are continuously improving our BCP so that we can respond appropriately when new threats materialize, including by conducting BCP drills.

Supply for rare material procurement, product manufacturing and logistics are becoming increasingly complex. Under these circumstances, we have implemented countermeasures from four perspectives: taking preventative measures, ensuring redundancy, securing supportive measures, and maintaining alternative measures for management resources required to maintain a stable supply of drugs, including facilities, inventories, personnel, and information systems.

In addition, we regularly review our priority supply drugs to ensure that we can promptly supply products that carry significant social responsibility for us as a pharmaceutical company, as well as products that are important for the continuity of our business.
## Information Security

### Improvement and Strengthening of Information Security Management System

To ensure a stable supply of products and provide reliable information to customers, we have established a global information security policy and information security measures on a global scale under the leadership of the Head of Global Information Security. In addition, the CIOO, the chief officer and director of the digital domain together with information management functions, supervises digital transformation for the entire organization, and oversees the conduct of its operations.

### Personal Information Security Initiatives

Personal information is essential to a company’s business activities, but by its very nature, may cause irreparable harm to individuals if mishandled. Based on the Daiichi Sankyo Group Privacy Policy, a global standard for protecting personal information, we have established internal rules that comply with the laws and regulations of each country and region to ensure the safety of personal management. We also regularly conduct training sessions to ensure that all employees are thoroughly trained to handle personal information in the most appropriate manner. In FY2022, briefing sessions on the revision of internal rules in response to the revised Personal Data Protection Act were held in Japan, as well as e-learning for all directors and employees. Also, we conducted monitoring to ensure that the revised rules were thoroughly implemented. In addition, with regard to handling Individual Numbers in Japan, nicknamed "My Number" information, we regularly evaluate the group’s information management status of "My Number" information at our vendors and conduct site audits. Furthermore, we take appropriate measures such as providing e-learning programs in Japan to ensure that we understand our basic policies and management system.

### Measures for Cyber Security

The CSIRT, the framework for dealing with computer security incidents in enterprises, is managed under the leadership of the Head of Global Information Security in order to respond to the increasing number of cyber-attacks in recent years. With the cooperation of external security partners, the security monitoring system is operating 365/24/7, and a system is in place to respond swiftly to incidents that have occurred. It is important to collaborate with other organizations in the same industry as well as other industries to manage the threat of cyber-attacks. In collaboration with external security teams such as external specialist organizations and other companies, CSIRT collects information related to cyber security and proposes and promotes security measures for the Group. Moreover, we aim to contribute to improving security not only within the Group, but also for the entire society by building cooperative relations with external organizations. Accordingly, we are continuously active in conferences on CSIRT.

### Strengthening Management Systems for Safety and Quality Assurance

To ensure that we deliver safe and quality products that patients can use with confidence, we have established and strengthened a management system that complies with GMP (Good Manufacturing Practice: standards for the manufacturing and quality control of drug) and GDP (Good Distribution Practice: standards for ensuring quality in the transportation and storage of drugs), and are working to consistently guarantee quality across the entire process from raw material procurement and storage to drug manufacturing and distribution. We also conduct regular audits of group company offices and business partners to maintain and improve appropriate quality control systems.

With regard to safety, we promote the proper use of drugs by collecting safety management information (information on side effects, etc.) globally, and providing information in the medical setting after objectively evaluating, reviewing, and analyzing the information. Furthermore, we strive to minimize patient safety risks by conducting annual training on safety management information for all employees to ensure thorough safety management.

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**Information Security**

<table>
<thead>
<tr>
<th>Major Risks and their Management</th>
<th>Risk Management</th>
</tr>
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<tbody>
<tr>
<td><strong>Research and Development with Partner Companies</strong></td>
<td>- Ensure constant communication with pharmaceutical regulatory authorities.</td>
</tr>
<tr>
<td><strong>Pharmaceutical Side Effects and Quality</strong></td>
<td>- Promote both One DS Culture and Inclusion &amp; Diversity (I&amp;D), and analyze the cooperation of external security partners.</td>
</tr>
<tr>
<td><strong>Diversified Business Expansion</strong></td>
<td>- Establish Joint Executive Committee with AstraZeneca, create a unified global organizational system in the information field with CDXO* as the general manager.</td>
</tr>
<tr>
<td><strong>Manufacturing and Procurement</strong></td>
<td>- Ensure distribution of manufacturing and logistics bases, and install private electricity generators.</td>
</tr>
<tr>
<td><strong>Environmental and Safety</strong></td>
<td>- Ensure distribution of manufacturing and logistics bases, and install private electricity generators.</td>
</tr>
<tr>
<td><strong>Intellectual Property Rights</strong></td>
<td>- Ensure strict training on new employees and e-learning for all employees.</td>
</tr>
<tr>
<td><strong>Laws and Regulations</strong></td>
<td>- Ensure strict training on new employees and e-learning for all employees.</td>
</tr>
<tr>
<td><strong>Internal Audit and Exchange Rate Fluctuation</strong></td>
<td>- Ensure strict training on new employees and e-learning for all employees.</td>
</tr>
<tr>
<td><strong>IT Security and Information Management</strong></td>
<td>- Ensure strict training on new employees and e-learning for all employees.</td>
</tr>
<tr>
<td><strong>Resilience of Information Technology Systems</strong></td>
<td>- Ensure strict training on new employees and e-learning for all employees.</td>
</tr>
<tr>
<td><strong>Sustainability</strong></td>
<td>- Ensure strict training on new employees and e-learning for all employees.</td>
</tr>
</tbody>
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*CDXO: Chief Digital Transformation Officer

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**Data Security**

- Ensure data security measures are implemented in accordance with relevant laws and regulations.

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**Quality Assurance**

- Ensure strict training on new employees and e-learning for all employees.
Executive optimal resource allocation for sustainable value creation

Koji Ōgawa
Executive Officer
Head of Global Corporate Planning and Management, CFO

I was appointed CFO in April 2023. Since joining the company, I have been involved in the Group’s overseas development and business expansion through a wide variety of positions in the Human Resources Department, the US assignment, and the Asia, South and Central America businesses. As we continue to advocate and pursue our Purpose of “contributing to the enrichment of quality of life around the world,” we are increasingly feeling the rising expectations from society for our innovations, including our oncology products. Under these circumstances, we must further clarify roles and promote functional collaboration in our operations in order to compete in the dynamic and highly competitive global marketplace, and reform our internal systems to enable swift and precise decision-making and optimal resource allocation at a global level. Accordingly, I would like to demonstrate leadership toward achieving our 2030 Vision of becoming an “innovative global healthcare company contributing to the sustainable development of society.”

Progress and update on the current 5-year business plan (FY2021-FY2025)

The Daichi Sankyo Group is working on its current 5-year business plan (FY2021-FY2025) aimed at achieving its FY2025 target of becoming an innovative global healthcare company with a competitive advantage in oncology and shift to further growth to achieve our 2030 Vision of becoming an “innovative global healthcare company contributing to the sustainable development of society.”

It is now available in 35 countries and regions, and revenue in FY2022 has grown to ¥258.4 billion. In addition, the DESTINY-Breast09 (DB-09) trial for the first-line treatment of HER2-positive breast cancer and other trials for expanding indications is advancing more quickly than initially planned.

The development of the products following Enhertu, Dato-DXd (TROP2-directed ADC) and HER3-DXd (HER3-directed ADC) is also progressing faster than originally planned.

Regarding the second strategic pillar, “maximize for current business and products,” market penetration further progressed for anticoagulant Lixiana, which saw product value improve with the addition of new dosage and administration, and its revenue grow to ¥244.3 billion in FY2022. In addition, steady growth in revenue from pain treatment, Tarlige in Japan, and treatment for iron deficiency anemia InjectaCell® and Venofer® in the US is contributing to strengthen the source of investments for sustainable growth shareholder returns. Moreover, in terms of transforming to a profit structure focused on patented drugs, we launched new drugs such as prophylaxis of migraine attacks Emplyta® and anti-cancer agent Ezharim® while making progress in product transfers following the loss of exclusivity in various countries and regions, such as for hypertension treatment Benicar® in the US and antiproliferative agent Eflitha® in Europe, thereby strengthening our profitability.

As for the third pillar of our strategy, “identify and build pillars for further growth,” we are making progress in developing potential growth drivers following the 3ADCs. In the Phase 1 trials of DS-7300(971-H3-directed ADC) and DS-6001(CDH6-directed ADC), which use the same Dxs-ADC technology as the 3ADCs, we gained interim data suggesting early efficacy signals in a variety of cancer types. With the growing potential of both products, as described later, we have changed our R&D strategy from “3 and Alpha” to “3Dx-ADCs and Next Wave” from April 2023 onward.

Furthermore, we are making steady progress in selecting post-Dxs-ADC modalities, including clinical trial initiation for DS-9606, a second-generation ADC. As an important initiative under the fourth strategic pillar, “create shared value with stakeholders,” we have developed the first Japan-produced COVID-19 mRNA vaccine (DS-5670). In August 2023, our origin strain monovalent mRNA vaccine against COVID-19, Daichirona® for Intramuscular Injection, received approval in Japan for prevention of infectious disease caused by SARS-CoV-2 (booster vaccination). We are currently developing the XBB 1-containing monovalent vaccine recommended for use in Japan’s fall/winter 2023 vaccination program, and aim to supply the ABB 1.5-containing monovalent vaccine before the end of 2023 at the earliest.

For details on the progress of the current 5-year business plan, please refer to the FY2023 financial results presentation materials.
Profit Growth

achieve our target by efficiently and effectively managing our costs, which is higher than initially planned. For SG&A expenses, we aim to increase sales and SG&A expenses to rise in line with revenue increase. We will continue to aim for core operating profit ratio before R&D expenses target of 40%, although we expect the cost of R&D expenses to exceed our initial plan owing to the increased costs for related trials, all of them are important trials that are crucial for maximizing 3ADCs, and we will actively make R&D investments with the aim of obtaining approval and launching promotions as soon as possible.

Management focusing on cash allocation and shareholder’s equity cost during the current 5-year business plan period

During the current 5-year business plan period, we plan to allocate cash for investment for growth and shareholder returns in a balanced manner. Specifically, we will allocate a certain amount of cash to investment for growth (R&D expenses and capital expenditures) and new stage for realizing 2030 vision, and then flexibly allocate the remaining cash to investments aimed at building pillars for further growth and shareholder returns in a balanced manner, based on the progress of our pipeline. We expect the source of cash allocation during the current 5-year business plan period. However, we plan to achieve our target by efficiently and effectively managing our expenses and other costs.

Update on 3ADCs launch plan and R&D strategy

Given that the development of the 3ADCs is progressing ahead of plan, we updated our launch plan for the 3ADCs in April 2023, including indications approval that we did not initially expect to achieve during the current 5-year business plan period. In addition, with the growing potential of DS-7230 and DS-4000, which are the potential growth drivers following the 3ADCs, we shifted our R&D strategy from the previous “3 and Alpha” to “5DXd-ADCs and Next Wave” from April 2023 onward. We intend to actively make R&D investments in promising products in our pipeline other than the 3ADCs in order to achieve sustainable growth.

5-year business plan period, which is the cash in hand at the beginning of the current 5-year business plan period plus the 5-year operating cash flow before R&D expenses, to come to ¥3.1 trillion, approximately ¥100 billion more than initially planned, thanks to steady sales growth of Enhertu and existing products. Of this amount, we plan to allocate approximately ¥1.1 trillion to R&D expenses (an increase of ¥300 billion from the initial plan), prioritizing the development of DXd-ADCs based on the 3ADCs launch plan and R&D strategy updated in April 2023, while allocating approximately ¥400 billion to capital expenditures (an increase of ¥100 billion from the initial plan), mainly for strengthening our ADC supply capabilities to ensure supply for FY2024 and beyond.

Shareholder return policy

With respect to shareholder returns, we aim to maximize shareholder value by adopting DOE, which is calculated based on shareholders’ equity, as a KPI, and by providing stable shareholder returns with a target DOE of 8% or more in FY2025, which is higher than the cost of shareholders’ equity. As we shift from an investment phase to a profit growth phase in the current 5-year business plan, we believe it is essential to consider dividends and acquisition of own shares by looking at both shareholder return and capital efficiency, while taking into account the shareholder’s equity cost. Accordingly, we adopted DOE, an indicator that combines ROE and dividend payout ratio, as a KPI for shareholder return.

We aim to improve capital efficiency by growing the 3ADCs to expand revenues and flexibly executing acquisition of own shares, and continue to target a FY2025 ROE of 14% or more, which is above the shareholder’s equity cost. To ensure financial security, we plan to maintain our equity ratio at approximately 60% during the current 5-year business plan period.

In closing

As of June 30, 2023, our market capitalization is over ¥8 trillion with a P/B ratio of approximately 5 times, and we believe that progress in our oncology business and the value of our pipeline of innovative pharmaceuticals are highly evaluated by investors in the stock market. Going forward, we will continue to work toward maximizing corporate value by engaging in active dialogue with our shareholders, investors, and other stakeholders.

For more information on FY2023 Results and FY2023 Forecast, please refer to P89

Message from the CFO

As of Apr. 2023

Achieve significant revenue/profit growth after investment for DS6-ADC, and shift to a new stage for realizing 2030 vision

At the time of planning 5DXd

Revenue

> 1.6 Tr. JPY

> 1.0 Bn. JPY

> 40%

> 40%

1.6 Tr. JPY

> 1.0 Bn. JPY

> 40%

> 40%

ROI

> 16%

> 16%

1.0 Tr. JPY

> 0.6 Bn. JPY

> 8%

> 8%

1.0 Tr. JPY

> 0.6 Bn. JPY

> 8%

> 8%

Investment for DS6-ADC

Profit Growth

FY2021 Result

FY2022 Result

FY2025 Target

Revenue in Oncology

Prioritized Investment for 5DXd

Image of cash allocation.

Profit growth driven by 3ADCs.

Flexible acquisition of own shares.

Flexible allocation.

Flexible allocation depending on progress of new targets and acquisition of own shares.

Stable dividends and dividend increases that take account of profit growth.

Shareholder return policy during the current 5-year business plan period

Capital efficiency improvement

Profit growth driven by 3ADCs.

Flexible acquisition of own shares.

ROI > 16%

Maximize shareholder value

Shareholders Return, which is the sum of dividends and capital gains from share price increases divided by the stock investment amount.

Specifically, in addition to ensuring DOE that exceeds the shareholder’s equity cost through profit growth and dividends in line with profit growth, we plan to continue investment for sustainable growth with the aim of increasing the value of our product portfolio and pipeline, which we believe will in turn enhance the market value of the Company.

For more information on FY2023 Results and FY2023 Forecast, please refer to P89.
Fulfill a highly effective supervisory role to realize the Daiichi Sankyo Group’s Purpose and support its growth toward globalization.

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

The Board of Directors has been renewed. Looking back over the past year, what were the challenges to improve the effectiveness of the Board of Directors and your aspirations?

Kama

I was newly appointed as the Chairperson of the Board in June 2019. Appointed as an Outside Director as the Chairperson of the Board, and that detailed discussions were done with the executive side regarding the selection of agenda items and other operational aspects of the Board of Directors under the leadership of the former Chairperson of the Board. I would like to build on the positive features of the past and continue maintaining close communication with the execution team within the operations of the Board.

How have you used your experience and expertise to help the Board of Directors fulfill its functions and enhance corporate governance?

Nohara

I strongly support the Company’s innovative management strategy centered on developing new medicines and its ability of continuously taking on challenges, and have spoken up on R&D strategy, DX strategy, globalization, corporate branding, etc. In addition, leveraging my experience as the Outside Director of eight listed companies, and considering the importance of the environment surrounding corporate governance, ESG, management, etc., which changes year by year, I believe that to speak up my opinions in light of the above has helped the Board of Directors fulfill its functions and enhance corporate governance.

Kamata

To “address diverse medical needs,” as stated in the Daiichi Sankyo Group’s Mission, it is important not only to develop the medicines that are required, but also to plan how we deliver these medicines to people and ensure they can easily find the information they need. I made an effort to discuss this point from the perspective of medicine and public health using my expertise and research.

Mr. Nishii, as a new Outside Director appointed in July of this year, what are your aspirations?

Nishii

I feel a sense of tension and great responsibility in being appointed as the Outside Director of Daiichi Sankyo, a pharmaceutical company that is growing globally. I believe that I can contribute to enhancing the effectiveness of the Board of Directors by using my experience as a business executive at a food and amino acid material manufacturer to enhance the value creation process with stakeholders, to promote ESG Management, to enhance corporate brand value, and to promote globalization.

What are your thoughts on the challenges to the Group’s sustainable growth?

Kama

With the rapid expansion of Enhertu®, we need to further promote globalization as we expand our market around the world and quickly grow our revenues. In particular, we need to closely monitor the progress and issues related to our efforts in the globalization of corporate functions and the establishment of the CoX structure, which we began in FY2023. As an Outside Director, I feel that I still have a relatively minimal understanding of what Daiichi Sankyo’s globalization means compared to the Inside Directors. As the Chairperson, I would like to talk deeply with the executive side and promote discussions on what kind of “innovative global healthcare company” Daiichi Sankyo is aiming to become, and I would like to promote discussion on the status of globalizing operations and execution.

Komatsu

Daiichi Sankyo’s Core Value include creating new systems and inventions that make a great difference in society and people’s lives. Today, the environment that can be provided and the actual healthcare that is delivered is widening, since both patients and medical professionals have difficulty in accessing and utilizing the best available knowledge. I believe that HaaS has the potential to bridge this gap and make transformative changes in our society and people’s lives. HaaS cannot be built by Daiichi Sankyo alone, but I believe that we can be a pioneer in this field by offering a model system and working collaboratively with relevant stakeholders for its implementation. Digital transformation is advancing more rapidly than we can imagine at the global level, and I think it is crucial for us to keep up with this trend and take a leadership role in Japan.

Nohara

In the 2025 DX Vision, we set out on “Becoming a Global Pharma Innovator Utilizing Data and Advanced Digital Technology”. We are working to build a global communication platform and core business systems, and also building and maintaining infrastructure for our human resource programs. As DX is essential and strongly promoted for the Company’s globalization efforts as well as its push to bolster drug discovery, I would like to make...
Round-table Discussion with Outside Directors

Nohara

From the perspective of geopolitical risk and supply chain management, I believe it is critically important that Daiichi Sankyo’s main intellectual properties today come from its Tokyo-based research center. On the other hand, globalizing the head office, especially the corporate functions, requires interaction among people with diverse experiences and perspectives. It is also important to create a situation that (not only every employee but also) people from overseas and make them desire to work at Daiichi Sankyo’s head office and research centers in Japan, which I believe will help drive the globalization that Daiichi Sankyo should strive for.

Regarding the Nomination Committee and the Compensation Committee, what have you done in the last year and what challenges do you see going forward?

Nohara

The Compensation Committee met 11 times during the last fiscal year to monitor and discuss the operation of the executive compensation system newly introduced in FY2021. In addition, at a joint meeting of the Compensation Committee and the Nomination Committee, CEO Marube reported on targets for the year, as well as interim and year-end performance assessments.

As DX is essential and strongly promoted for the Company’s globalizations efforts as well as its push to bolster drug discovery, I would like to make sure that we provide our full support.

— Outside Director Nohara

Nishii

In this fiscal year, especially since the entire Group will be adopting a global HR system by FY2026, we plan to discuss what kind of compensation system should be suitable for executives as we move toward FY2026. We need to take into account developments in the situation and establishing an executive compensation system that has synergies with the global HR system, while having a perspective on revisions we should make even in the middle of the fiscal year as needed.

— Outside Director Nishii

Kama

The Nomination Committee also met 11 times, discussing various topics such as the selection of the Chairperson & CEO and the President & COO, the establishment of the CEO/COO structure, the President & CEO succession plan, candidates for the Board of Directors, candidates for Audit & Supervisory Board Members, and the CoC structure, etc.

Furthermore, after several years of discussing the succession plan for the President, we presented Mr. Okuzawa to the Board of Directors as a candidate for President & COO as the most suitable person to lead the mid-to-long-term growth of the Group.

In addition, we have discussed the optimal composition of the Board of Directors with the aim of further enhancing the supervisory function of the Board of Directors. Considering the direction of the Company’s strategy and the skills required, we presented Mr. Nishii to the Board of Directors as a new Outside Director candidate. I believe we need to continue discussing the composition of the Board of Directors as well as the selection of candidates whose skills closely meet our business strategy.

What are your expectations for President & COO Okuzawa?

Kama

There was much discussion regarding the appointment of the President & COO, but we decided that he was the right person to be entrusted with the management of the Company based on his experience, performance, decisiveness, and high sense of accountability, as well as the trust he has earned from employees. I look forward to watching him actively engage in dialogue with internal and external stakeholders and play a role in making sure we achieve our current 5-year business plan and realize our 2030 Vision.

Nohara

When appointing the President & COO, I remember that among the candidates, Mr. Okuzawa had the reputation of being supported and trusted by the people around him. With various Group companies operating around Japan and abroad, I feel it is important that someone who is well respected by all should be the leader to lead the global company. Although the pressure must be intense with the Company attracting more attention around the world, I hope that he will make the entire Group to work together to achieve our targets.

Komatsu

As the Company is rapidly transforming into a global health-care company, we need to hold a long-term vision, while also responding to unanticipated circumstances in a timely manner and advancing our business in a pragmatic manner. I appreciate President & COO Okuzawa’s ability to balance both a long-term perspective and tackle unexpected challenges. When operating globally, we may encounter many unprecedented challenges. As President & COO Okuzawa has experience in handling and solving various difficult challenges overseas, I believe that he can demonstrate his strength as a leader.

Nishii

President & COO Okuzawa’s targets for FY2023 include the following items from the perspective of promoting globalization: examining global HR programs, recruiting and developing core personnel, and promoting personnel exchanges. As chairperson of the Nomination Committee, I would like to offer my full support going forward.

In light of today’s roundtable discussion, please tell us about your commitment to sustainably growing Daiichi Sankyo and enhancing its corporate value in the mid-to-long-term.

Nohara

The Company is now at a very important point in expanding its business in the oncology field and globalizing its operations; there are a wide range of issues that need to be carefully discussed at the Board of Directors meetings. As one of the Outside Directors, I would like to take a long-term perspective as much as possible and look for all directions with an outside perspective in order to offer holistic opinions.

Komatsu

I will oversee management policy decisions to ensure that they are in line with the Company’s Purpose and Core Value from an external perspective, particularly focusing on a public health standpoint. As an Outside Director, I will consider how the Company’s business creates value at various levels, including the individual patient, the organizational level, the community level, and society as a whole.

Nishii

The strong engagement of employees, centered on the Purpose, creates value that improves the lives of patients and their families, and creating shared value with partners will globally expand this value. As a result, shareholder and investor expectations rise, which will be reflected in the Company’s market capitalization. This in turn provides incentives for employees. I believe that the value of a company lies in its ability to keep this positive value-creation process going. As the pharmaceutical business is a highly regulated business, I would like to fulfill my role as a supervisor to create a structure that keeps the value creation process going over the mid-to-long-term by creating shared value with stakeholders, while disclosing negative news when necessary.

In closing, please reflect on today’s discussions and leave a message as Chairperson of the Board of Directors.

Kama

Although Outside Directors tend to lean toward defensive governance, I believe it is important to maintain a good balance between offensive and defensive governance, while placing a strong emphasis on offensive governance that supports the executive team. As the chairperson, I would like to reiterate my commitment to carry out quality discussions from a long-term perspective with the aim of sustainably growing the Company and enhancing its corporate value over the mid-to-long-term. I would like to promote discussions while viewing the value that Daiichi Sankyo provides as a combination of social value, environmental value, and financial value, and keeping in mind the perspective that the corporate value is for all stakeholders, including patients and medical professionals.

— Outside Director Komatsu

As an Outside Director, I will consider various levels, including the individual patient, the organizational level, the community level, and society as a whole.

Outside Director Nohara

I would like to contribute to enhancing the effectiveness of the Board of Directors to enhance the value creation process with stakeholders, to promote ESG Management, to enhance corporate brand value, and to promote globalization.

Outside Director Nishii

which we used to evaluate the CEO’s performance.

From this fiscal year, especially since the entire Group will be adopting a global HR system by FY2026, we plan to discuss what kind of compensation system should be suitable for executives as we move toward FY2026. We need to take into account developments in the situation and establishing an executive compensation system that has synergies with the global HR system, while having a perspective on revisions we should make even in the middle of the fiscal year as needed.

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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.

Overview of the Corporate Governance Structure

General Meeting of Shareholders

Nomination Committee, Compensation Committee, and Audit & Supervisory Board

Corporate Governance Structure

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 promoting the management of corporate social responsibility.

With the external environment changing so dramatically, the Board of Directors will be called upon to respond 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.

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 has established 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.

Message from the Chairperson of the Board

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 sufficiently competent of performing timely and accurate judgment, looking at the changes in the business environment while giving importance to the continuation 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 DI 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.

Skill Matrix of the Board of Directors

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.

Skill Matrix

<table>
<thead>
<tr>
<th>Name</th>
<th>Term of office</th>
<th>Board of Directors</th>
<th>Audit &amp; Supervisory Board</th>
<th>Compensation</th>
<th>Environment</th>
<th>Risk Management</th>
<th>Legal and Risk Management</th>
<th>Sustainability</th>
<th>ESG Qualification</th>
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| Yukiko Imazu  | 2 years        | ● ● ● ● ● ●       | ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ● ⨯

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

<table>
<thead>
<tr>
<th>Outside Directors</th>
<th>Percentage of Outside Directors</th>
<th>Percentage of Female Board Members</th>
</tr>
</thead>
<tbody>
<tr>
<td>4 outside persons</td>
<td>60%</td>
<td>1 female member</td>
</tr>
<tr>
<td>3 outside persons</td>
<td>56%</td>
<td>1 director</td>
</tr>
<tr>
<td>2 female members</td>
<td>40%</td>
<td>2 outside directors</td>
</tr>
</tbody>
</table>

Message from the Chairperson of the Nomination Committee

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 CoOs 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 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.

Our Independence Standards for Outside Directors are published on the website.

Read more here

https://www.daiichisankyo.com/about/en/governance/criteria_for_independence/
Corporate Governance

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
  Compensation 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 tenures, 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.

\[
\text{Compensation amount} = \text{Achievement of annual targets (revenue + core operating profit ratio + profit attributable to owners of the Company)} \times \text{Performance evaluation}
\]

1. Calculation formula for annual performance-based bonuses

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 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 kind contribution assets of the Company’s ordinary shares and will be issued them.

Message from the Chairperson of the Compensation Committee

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 CoOs, 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.

<table>
<thead>
<tr>
<th>Ratio of the Composition of Compensations</th>
<th>Representative Director, President and CEO</th>
<th>Outside Directors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic compensation (fixed)</td>
<td>40%</td>
<td>100%</td>
</tr>
<tr>
<td>Annual performance-based bonus</td>
<td>30%</td>
<td>15%</td>
</tr>
<tr>
<td>Restricted share-based compensation</td>
<td>15%</td>
<td>-</td>
</tr>
<tr>
<td>Medium-term performance-based share compensation</td>
<td>15%</td>
<td>-</td>
</tr>
</tbody>
</table>

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

1. Message from the Chairperson of the Compensation Committee
- Daiichi Sankyo Group Value Report 2023
- Daiichi Sankyo Group Value Report 2023
### 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 reasoning, 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 reasoning 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.

<table>
<thead>
<tr>
<th>Index for the achievement of mid-term targets</th>
<th>Evaluation rate</th>
<th>Evaluation coefficient</th>
<th>Fullback range</th>
<th>Targets and notes following in a graphic</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stock Exchange and refers to the levels of major domestic pharmaceutical companies.</td>
<td>20%</td>
<td>D-200%</td>
<td>Upper limit: Target x 110%</td>
<td>Lower limit: Target x 10%</td>
</tr>
<tr>
<td>Core operating profit ratio of research and development expenses</td>
<td>20%</td>
<td>D-200%</td>
<td>Upper limit: Target x 120%</td>
<td>Lower limit: Target x 60%</td>
</tr>
<tr>
<td>ROE</td>
<td>20%</td>
<td>D-200%</td>
<td>Upper limit: Target x 10%</td>
<td>Lower limit: Target x 60%</td>
</tr>
<tr>
<td>Research and development achievement proportion of R&amp;D projects</td>
<td>15%</td>
<td>D-200%</td>
<td>Research and development achievements (number of new indicators for S4Os on the market)</td>
<td>60%</td>
</tr>
<tr>
<td>ESG indicators</td>
<td>15%</td>
<td>D-200%</td>
<td>Evaluation based on Dow Jones Sustainability Indices, FTSE Board, and Access to Medicine</td>
<td>60%</td>
</tr>
<tr>
<td>Relative TSR</td>
<td>15%</td>
<td>D-200%</td>
<td>Upper limit: Comp. result with TPSO including dividend x 100%</td>
<td>Lower limit: Comp. result with TPSO including dividend x 100%</td>
</tr>
</tbody>
</table>
| Total | 180% | D-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 performance-based share compensation by the resolution of Board of Directors, etc. consists only of basic compensation, which is fixed compensation.

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/](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.

### 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

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.

- **Enhancing the Effectiveness and Functions of the Board of Directors**
  - **(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**

### 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 at the Board**
   - 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**
   - 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**
   - 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.
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 Members 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 agenda in 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

<table>
<thead>
<tr>
<th>Activities</th>
<th>Responsible Members</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regular Meetings with Representative Directors</td>
<td>Hold twice a year</td>
</tr>
<tr>
<td>Regular Meetings with Chairperson of the Board</td>
<td>Hold twice a year</td>
</tr>
<tr>
<td>Meetings with Directors</td>
<td>Hold once a year</td>
</tr>
<tr>
<td>Attendance at important meetings</td>
<td>Attendance in meetings such as those of the Board, Executive Management Committee Meeting</td>
</tr>
<tr>
<td>Attendance at important meetings of the domestic Group companies, etc.</td>
<td>Corporate Ethics Committee and EHS Management Committee, etc.</td>
</tr>
<tr>
<td>Personal of important documents</td>
<td>Personal of documentation that includes approval documents, materials and minutes of important meetings</td>
</tr>
<tr>
<td>Interviews by Audit &amp; Supervisory Board Members</td>
<td>Interviews with Heads of Unit, Heads of Division, Vice Presidents of 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.</td>
</tr>
<tr>
<td>Advice and requests at the Board meetings</td>
<td>Confirmation of activity status as observer of Nomination Committee and Compensation Committee</td>
</tr>
<tr>
<td>Cooperation with Outside Directors</td>
<td>Holding meetings to exchange views</td>
</tr>
<tr>
<td>Meetings with Audit &amp; Supervisory Board Members of domestic Group companies</td>
<td>Holding audit status report meetings by Audit &amp; Supervisory Board Members of domestic Group companies</td>
</tr>
<tr>
<td>Cooperation with the Internal Audit Department</td>
<td>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</td>
</tr>
<tr>
<td>Cooperation with the Accounting Auditors</td>
<td>Attendance of the Internal Audit Department at meetings between Audit &amp; Supervisory Board Members and Accounting Auditors</td>
</tr>
<tr>
<td></td>
<td>Receiving briefing and reports from the Accounting Auditor on matters that include the audit plan, quarterly report, results, results of audit of internal control audit (J-SOX), and engaging in information-sharing and exchange of views on recent topics on a monthly basis</td>
</tr>
<tr>
<td></td>
<td>Consultation about Key Audit Matters (KAM)</td>
</tr>
</tbody>
</table>

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. We conducted the evaluation of Audit & Supervisory Board members in the following manner.

- 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 is 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

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?

Message from Outside Audit & Supervisory Board Members

1. As a certified public accountant, I have contributed important 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 financial 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 and the establishment of a global audit system, it is important for Outside Auditors and Accounting Auditors to be more mutually dependent, thereby avoiding unnecessary legal risks.

2. I have always been mindful of external perspectives. In addition to having an Outside Director serving as Chairperson of the Board since 2023, Outside Directors also preside over the Audit & Supervisory Board Members participate very actively in discussions of the Company, resulting in a highly transparent corporate governance structure. I hope for 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.

3. Daiichi Sankyo has a system under which opinions 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 listing and auditing different people on the front line including through site visits to manufacturing and research facilities, and by providing opportunities to our corporate management, thereby ensuring that our corporate management, fully aware of the importance of the role expected from an Outside Audit & Supervisory Board Member.

4. Daiichi Sankyo continues to evolve into a global structure based on my experience and knowledge in auditing financial statements and internal control systems to confirm and comment on the adequacy and sufficiency of financial disclosure, as well as the adequacy and effectiveness of internal control systems that are maintained and operated on a global basis. In addition, the Company is taking steps to promote understanding of the actual state of management by listing and auditing different people on the front line, thereby ensuring the role of Outside Directors and Outside Audit & Supervisory Board Members.

5. As business expands globally, the importance of auditing the operation status of the management structure, the implementation status of risk management and BCP is 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.

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