



Outside Director,
Chairperson of the Board

Kazuaki Kama



Representative Director,
Executive Chairperson & CEO

Sunao Manabe

The Supervisory and Executive Structure Aimed for by Daiichi Sankyo Group as it Expands its Oncology Business Globally

Striving to Optimize the Balance Between Oversight and Execution to Further Enhance Trust

Increasing the Weight of “Offensive Governance” to Support the Executive Side, Aiming for Governance Unique to Daiichi Sankyo

Please tell us about your initiatives during the past year as the new chairperson of the Board. And what do you think of the new executive structure following the appointment of President Okuzawa?

Director Kama I am working to ensure a clear separation between the execution and supervision of management. In addition, based on the annual board evaluation, I am striving to further strengthen the oversight function by improving operational aspects.

The role of the Board of Directors is to “enrich discussions aimed at sustainable growth and steadily fulfill its supervisory role.” Last year, we deepened

discussions on long-term strategies and initiatives for globalization. Additionally, based on the revised matters for deliberation and reported matters of the Board, we are optimizing items for deliberation and reporting and advancing the delegation of authority from the Board of Directors to the execution team. We also conduct thorough pre-meetings with the CEO and COO regarding the selection and content of agenda items.

As we enter a phase of full-scale globalization, we selected Mr. Okuzawa as the President and COO based on his extensive global work experience and ability to embody our Core Values and Core Behaviors that serve as the foundation for fostering our company culture, which will be crucial skills and experiences required for the president over the next few years. Amid the rapidly changing business environment, we highly appreciate President Okuzawa’s leadership in driving organizational transformation to strengthen global management. This includes establishing an executive structure that appoints members of diverse nationalities to serve as Global Heads, clarifying key personnel in Japan, and initiating organizational transformation. We believe that the introduction of

Dialogue Between Chairperson of the Board, Mr. Kama, and Executive Chairperson & CEO, Dr. Manabe



the CEO/COO structure has effectively advanced the goal of strengthening the executive structure.

Please tell us about the initiatives related to one of the priority measures for FY2023, “Enhancement of discussion on key matters such as long-term strategies and globalization for further strengthening the oversight functions of the Board.”

Director Kama We have focused our discussions on long-term strategies, business strategies, business investments, globalization, Materiality, and risk management. Specifically, besides discussions on the portfolio centered on the ADC business, we also discussed global human resources and the One DS Culture. Additionally, we have been receiving timely reports on the globalization of corporate functions, the CxO structure initiated in FY2023, and the progress of various projects. As the Board of Directors, we believe it is important to ensure that appropriate business plans and progress are being made, and that appropriate risks are being taken as part of “offensive governance.” Therefore, we monitor whether the necessary actions are taken and ask the relevant questions to encourage the executive side. In this way, as an Outside Director and the Chairperson of the Board, I strive to participate in discussions and manage the board operations from a third-party perspective. Particularly last year, through discussions on the strategic alliance with Merck & Co., Inc., Rahway, NJ, USA, we were able to enhance our discussions on long-term strategies.

Amid the rapid expansion of our global business and the acceleration of global management, we aim to deepen discussions on the “global healthcare company” we are aiming to become, while listening to the challenges and

progress reported by the executive side.

In light of the remarks from Director Kama, would you please update us on the progress of the executive initiatives? In particular, we would like to hear about the key discussion points regarding the strategic alliance with Merck.

CEO Manabe There have been various opinions within the company regarding our strategic alliance with Merck. I believe that we have chosen the best means to embody our Purpose, “Contribute to the enrichment of quality of life around the world,” and our Mission, “Create innovative pharmaceuticals addressing diverse medical needs,” in order to deliver innovative medicines to more patients more quickly. We determined that, considering the increasing need to enhance capacity, resources, and capabilities for maximizing the DXd ADC franchise, as well as the intensifying competition in development, opting for a strategic alliance rather than pursuing in-house development and commercialization would achieve greater corporate and product value. This conclusion was reached after thorough deliberation by the execution team, taking into account both internal and external environmental changes. We believe that, in terms of speed and scale, we can expect to create a social impact that Daiichi Sankyo alone could not achieve. Furthermore, through the upfront payment received as part of the strategic alliance agreement, we have the opportunity to allocate funds towards increased research and development expenses, facility investments, and further strengthening of shareholder returns for future growth.

During the Board of Directors’ deliberations, the execution team engaged in extensive discussions with Outside Directors from various perspectives. These

discussions included the risks associated with entering into a new alliance in addition to the existing one with AstraZeneca, as well as the potential for business growth independently. From an oversight perspective, we received various advice on the content of the deliberations, helping us understand and support the fact that this decision is crucial for the company’s mid- to long-term growth.

Regarding the strategic alliance with Merck, could you please elaborate on the key points that the Board of Directors emphasized, the future challenges, and the details of the discussions?

Director Kama The recent strategic alliance with Merck has a significant impact on our business strategy. The Board of Directors received multiple briefings and engaged in extensive discussions about it. We also addressed concerns regarding entering a strategic alliance with another company while we are already partnered with AstraZeneca, and discussed the reasons for selecting Merck as our new partner. From the perspectives of pursuing our Purpose and Mission, ensuring sustainable growth, enhancing corporate value, and strengthening competitiveness, I believe we have selected the best partner under the best terms. The Board of Directors also felt that we were able to support the executives from the standpoint of “offensive governance”.

While maximizing the business value in the oncology field is crucial, from the perspective of “defensive governance,” it is also essential for the Board of Directors to appropriately oversee the execution team’s efforts to strengthen internal controls, manage company-wide risks, and ensure proper compliance.

Governance includes not only supervision but also supporting and encouraging the executives. We believe it is necessary to clearly distinguish between risks to be taken and risks to be avoided, thereby increasing the emphasis on offensive governance. As the Chairperson of the Board, I am committed to facilitating discussions that will contribute to the sustainable growth and long-term enhancement of corporate value for Daiichi Sankyo.

Striving to Optimize the Balance Between Oversight and Execution, and Strengthening Operations to Enhance the Effectiveness of the Oversight Function

Please tell us about the initiatives related to one of the priority measures for FY2023, “Enhancement in terms of operation for further strengthening of the decision-making functions and oversight functions of the Board.”

Director Kama In order to review the balance between supervision and execution for our company and to optimize the matters for deliberation and reporting, we revised the standard for submitting matters for deliberation and reported matters of the Board, effective from FY2023. Specifically, we advanced the delegation of authority from the Board of Directors to the execution team,

streamlined the matters for deliberation and reporting, and enriched discussions on important business execution matters. We believe this has also enhanced flexibility and agility in business operations. Additionally, in FY2023, we also revised the matters for deliberation and reporting within the Nomination Committee and the Compensation Committee.

As for opportunities for discussions outside the Board of Directors, a total of nine meetings were held last year, including Outside Directors’ meeting, briefing for Outside Directors and Outside Audit & Supervisory Board Members, and meetings to exchange views among Directors and Audit & Supervisory Board Members. We are enhancing discussions among board members to further strengthen the decision-making and oversight functions of the Board of Directors. We also held quarterly meetings consisting solely of Outside Directors and Outside Audit & Supervisory Board Members, where active discussions took place.

We also conducted detailed pre-meetings with the CEO and COO regarding the selection and content of agenda items and carefully worked out the time allocation. I feel that the Board of Directors, particularly the Outside Directors, are having a more active exchange of opinions. This is not just my impression; I have also received similar feedback from everyone during the meetings for Outside Directors and Outside Audit & Supervisory Board Members and in the board evaluation.

Please tell us about the division of roles in the operations of the Board of Directors and decision-making in management, as well as efforts to deepen discussions.

CEO Manabe Detailed monthly meetings are held with the Chairperson of the Board, including the COO, regarding the selection and management of board agenda items. For Outside Directors, we provide individual pre-meetings to explain the content of the Board meetings and invite them to attend the Executive Management Committee (EMC) Meeting as observers, ensuring that discussions at the Board meetings are more in-depth. As for the matters for deliberation and reporting at the Board of Directors, the execution team thoroughly discusses these items at the EMC Meeting and then reports them to the Board. We believe the Board’s role is to supervise these discussions, provide expert advice, and assess risks.

Outside of the Board meetings, we held briefings to deepen their understanding of the ADC business strategy, R&D activities and other initiatives on the executive side. We deeply feel that all Outside Directors strongly empathize with and support our company’s Purpose and Vision. Additionally, we received numerous valuable insights from them, leveraging their experiences to support the sustainable growth of our Group. Particularly, we received precise and insightful comments in the discussions about our strategic alliance with Merck, including both positive and negative viewpoints.

Please tell us about the operational status of the Nomination Committee and the Compensation Committee, as well as the performance evaluations of the CEO and COO conducted by the joint meeting.

Director Kama Both committees, which had been established as advisory bodies to the President, were restructured as advisory bodies to the Board of Directors in 2020. The two committees were composed of four Outside Directors, with one Outside Audit & Supervisory Board Member participating as an observer. However, starting from FY2024, with the addition of Director Honma, the committees now consist of five Outside Directors. In the FY2021 board evaluation by a third-party organization, our Board of Directors and its advisory bodies, the Nomination Committee and the Compensation Committee, were assessed as functioning appropriately. We also plan to conduct a third-party evaluation this fiscal year.

In FY2023, the Nomination Committee convened nine times, and the Compensation Committee eleven times. In addition to the regular committee meetings, joint meetings of the Nomination Committee and the Compensation Committee were held in March and September for further discussions. Regarding the goal setting and evaluation of the CEO and COO, in March we conducted the final evaluation of the current fiscal year's performance and set the goals for the next fiscal year. In September, we reviewed the progress towards achieving these goals. In the September discussions, we deliberated on the reappointment or dismissal of the CEO and COO. The performance evaluations conducted in March are then connected to the discussions of the Compensation Committee. The activities of both committees and joint meetings are reported to the Board of Directors every three months. We believe that through these processes, which ensure objectivity and transparency, we are strengthening governance and that the Board of Directors is fully fulfilling its expected role.

Increasing the Number of Outside Directors to Optimize the Composition of the Board of Directors, and Initiatives for Globalization and Development of Next-Generation Leaders

Please provide an update on the initiatives related to the FY2023 priority measures of “Further considerations for optimizing the Board composition.” Additionally, please explain the reasons for appointing Outside Director Honma.

Director Kama Our Board of Directors has identified nine key skills that are considered particularly important in light of our company's management direction, our Purpose and Mission, long-term management direction, and business strategies. These skills are crucial for realizing the 2030 Vision and for the Board to fulfill its functions effectively. Regarding Directors, we select Board members from among the candidates by considering diversity and balance to ensure none of these skills are lacking. This selection is based on strengthening the decision-making and oversight functions. Recognizing the need for a majority of Outside Directors, we decided to increase the number of Outside Directors in FY2023 and appointed Yo Honma, the President and CEO of NTT Data Group

Corporation (stepping down in June 2024), starting in FY2024. Outside Director Honma brings extensive experience and broad knowledge in overall corporate management, IT and digital technology, and corporate globalization, stemming from his background as a company executive in the information and communication sector. We are confident that he will leverage his extensive experience and broad knowledge to address challenges related to global management transformation and the acceleration of innovation through digital transformation (DX), which are critical for our company's sustainable growth.

We continue to recognize challenges related to the number of Directors, the ratio of Inside to Outside Directors, and diversity in terms of gender and international representation. We are actively considering these factors to achieve an optimal board composition.

Please share your thoughts on management diversity, including gender and international representation, as well as the optimal composition of members, including the executive structure.

CEO Manabe Against the backdrop of the rapid business expansion in oncology and the acceleration of global management, ensuring diversity among Directors, including gender and international representation, is more important than ever for the Board of Directors. We sometimes receive external opinions regarding the appointment of executives and CxO experienced individuals from companies in the same industry. However, we intend to actively consider capable candidates regardless of whether they are from companies in the same industry.

On the executive side, as globalization progresses, there is a need to expand and build the management foundation, including organization and human resources. We are promoting the appointment of candidates of diverse nationalities to Global Head positions, strengthening the global management structure, and fostering global leaders and talents.

In April, we launched the “DS Academy,” a program aimed at developing future global leaders, and it has had a successful start as expected. In order for the Daiichi Sankyo Group to continuously and globally provide value, we aim to develop the next generation of leaders by having not only external lecturers but also our own executives take the rostrum. They will focus on deepening understanding of the history, innovation, and DNA of the Daiichi Sankyo Group as a century-old company. In addition to advanced management skills, we seek to strengthen their ability to see the business from a long-term and ultra-long-term perspective.

Sustainable Growth and Further Enhancement of Corporate Value

Please share your initiatives and thoughts on realizing the 2030 Vision and enhancing corporate value.

CEO Manabe With the expansion of our oncology business and the global



strengthening of each function, it is essential to enhance our most important capital—human capital—by securing and developing talents. Additionally, we aim to realize our Purpose and Vision by promoting the One DS Culture, which is fundamental to our value creation process. In 2024, we have established the Daiichi Sankyo Group People Philosophy, focusing on creating an inclusive environment where diverse employees can maximize their abilities through mutual cooperation and trust, and where each individual's opinions are respected. Through these initiatives focusing on human resources, we will maximize “human capital” and make it the driving force for sustainable value creation, thereby enhancing corporate value even further.

Additionally, strengthening “Science & Technology,” the source of value creation, is crucial for sustainable growth. Even in uncertain fields or uncharted territories, fostering an organizational culture that encourages researchers to pursue their scientific interests, supports valuable challenges with hypotheses, repeats worthwhile challenges, and shares learnings from many failures to inform the next endeavor, is key. The accumulation of those cycles leads to the buildup of unique knowledge and experiences, which serve as a continuous source of innovation. We believe that the continued trust placed in our research and development capabilities by successive generations of management has been instrumental in driving innovation.

Our Group has positioned “creating shared value with stakeholders” as one of the strategic pillars of our current 5-year business plan. With “Passion for Innovation. Compassion for Patients.” at the core of our corporate activities, we are promoting Patient Centricity initiatives across the entire value chain. Through these initiatives, we aim to enhance our social significance by keeping patients in mind in all our business activities, and always returning to our Purpose, “Contribute to the enrichment of quality of life around the world.”

Please share the challenges to enhance sustainable corporate value, the role of the Board of Directors in addressing these challenges, and your message to stakeholders.

Director Kama To support “Science & Technology” and to continuously create innovative new medicines, we need to maintain active investment. On the other hand, while balancing returns to shareholders, we believe it is necessary to secure a flexible allocation framework that can respond to changes in the business environment, and to invest for sustainable growth and enhancement of corporate value with an eye on 2030 and beyond.

To speed up execution through the delegation of authority to the execution team, it is also important to build trust alongside optimizing the balance between oversight and execution. Although we believe that a sufficient level of trust has already been established, we aim to further enhance this relationship through discussions on the pursuit of Daiichi Sankyo's Purpose and the enhancement of corporate value.

It is necessary to have continuous discussions about what the corporate value of our company is for all stakeholders, including patients and healthcare professionals, by considering the value provided by the Daiichi Sankyo Group as a combination of social value, environmental value, and financial value. This fiscal year, we will continue to engage in high-quality discussions from a long-term perspective. By achieving sustainable growth for the company and enhancing mid- to long-term corporate value, we will ultimately meet the expectations and trust of all our stakeholders.