

**CONVOCATION NOTICE OF THE 17<sup>TH</sup> ORDINARY  
GENERAL MEETING OF SHAREHOLDERS**

**For the Fiscal Year Ended March 31, 2022**

**Daiichi Sankyo Company, Limited**

\*Note: This translation does not include pictures, charts etc. originally issued in the Japanese version.

## To Our Shareholders

We sincerely appreciate the continuous kindness of our shareholders.

Daiichi Sankyo Group's "Purpose" is to "contribute to the enrichment of quality of life around the world." Our Mission is to "create innovative pharmaceuticals addressing diverse medical needs" by leveraging our strengths in science and technology, and the Mission will of course remain unchanged even under the change in social environment with various challenges, including the fight against COVID-19. We aim to be a company that continues to provide a wide range of treatment solutions to society by continuing to take on diverse challenges throughout the entire value chain to solve social issues that are expected for our Group. With this in mind, we have established our 2030 Vision of being an "Innovative Global Healthcare Company Contributing to the Sustainable Development of Society," and we are now working on our 5-year business plan (FY2021-FY2025), in which we plan to move into the growth stage toward the realization of the Vision.

In FY2021, the first fiscal year of our 5-year business plan, we believe that we have made a good start toward achieving the goals of our 5-year business plan, including significant progress in measures to maximize the product value of our anti-cancer drug, "ENHERTU." We will continue to make steady progress in our efforts to achieve sustainable growth for society and the Group.

I would like to ask our shareholders for your continued support and cooperation.

May 2022



Sunao Manabe

Representative Director, President and CEO

Our Mission	To contribute to the enrichment of quality of life around the world through the creation of innovative pharmaceuticals, and through the provision of pharmaceuticals addressing diverse medical needs.
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## CONVOCAATION NOTICE OF THE 17<sup>TH</sup> ORDINARY GENERAL MEETING OF SHAREHOLDERS

1. Date and Time: June 27, 2022, Monday at 10 a.m. (Japan Time) (Reception starts at 9 a.m.)
2. Place: Royal Hall, Royal Park Hotel 3F  
1-1, Nihonbashi-Kakigaracho 2-chome, Chuo-ku, Tokyo, Japan
3. Purpose of the Meeting:  
Matters to be Reported:
  1. Reports on the Business Report, the Consolidated Financial Statements for the 17<sup>th</sup> Fiscal Year (from April 1, 2021 to March 31, 2022); and Audit Reports of the Consolidated Financial Statements by the Accounting Auditors and Audit & Supervisory Board
  2. Reports on the Non-consolidated Financial Statements for the 17<sup>th</sup> Fiscal Year (from April 1, 2021 to March 31, 2022)  
Proposals to be Resolved:  
First Proposal: Appropriation of Surplus  
Second Proposal: Partial Amendments to the Articles of Incorporation  
Third Proposal: Election of Nine (9) Directors  
Fourth Proposal: Election of Two (2) Audit & Supervisory Board Members  
Fifth Proposal: Partial revision of Medium-term Performance-based Share Compensation to Directors, etc.

### General Information

#### 1. Exercise of Voting Rights by Proxy

If you are unable to attend the Meeting in person, you may choose one shareholder holding voting rights of Daiichi Sankyo Company, Limited (the “Company”) as a proxy to attend the Meeting. However, in this case, submission of a document evidencing the proxy’s power of representation is required.

#### 2. Disclosures through the Internet

The following items are posted on the Company’s website, in accordance with laws and ordinance, and Article 16 of the Company’s Articles of Incorporation. Therefore, they are not included with this Convocation Notice of the 17<sup>th</sup> Ordinary General Meeting of Shareholders.

<Business Report>

- i) Status of Subscription Rights to Shares
- ii) Internal Control System
- iii) Matters regarding Accounting Auditors

< Consolidated Financial Statements>

- iv) Consolidated Statement of Changes in Equity
- v) Notes

<Non-consolidated Financial Statements>

- vi) Non-Consolidated Statement of Changes in Net Assets
- vii)Notes

#### 3. Voluntary disclosure on the Company’s website

- ✓ Criteria for Independence as Outside Directors/Audit & Supervisory Board Members
- ✓ Board Evaluation for Fiscal 2021
- ✓ Status of Audit by Audit & Supervisory Board Members for Fiscal 2021

- If any revisions in the Reference Documents for the Ordinary General Meeting of Shareholders, Business Report, and Non-consolidated and Consolidated Financial Statements arise, revised matters will be posted on the Company’s website.

Company’s website:

<https://www.daiichisankyo.com/investors/shareholders/meetings/>

- If developments in the status of the pandemic necessitate changes in the way the General Meeting of Shareholders will be run, shareholders will be informed via the Company’s website.
- The narrated video on explanations for the Business Report, etc., as stated on page 30-73, is scheduled to be published in late May.

### Information on exercising voting rights:

Please exercise your voting rights by no later than 5:30 p.m. on June 24 (Friday), 2022 (Japan Time).

Exercise of voting rights by mail:

Please indicate your approval or disapproval for the proposals on the enclosed voting form and send the form back to the Company, so that we receive it by the deadline above.

- ✓ Treatment of voting rights exercised more than once

Treatment of duplicate votes by mail and via the Internet

If your voting rights are exercised both by mail and via the internet, we will consider the exercise via the Internet to be valid.

- ✓ Treatment of duplicate votes via the Internet

If your voting rights are exercised more than once via the Internet, we will consider the latest vote to be valid.

### Points to Note

- ✓ All costs associated with the access to the voting website (<https://evote.tr.mufg.jp/>) (cost of dial-up connections, telephone tolls, etc.) need to be borne by the shareholder.
- ✓ Please note that shareholders cannot exercise the rights on the website between 2:00 a.m. and 5:00

a.m. (Japan Time) each day due to maintenance and inspection. Please complete the entry of your voting by the deadline above.

■ To institutional investors:

The Company participates in the electronic voting platform for institutional investors operated by ICJ, Inc.

**For further assistance regarding the system, please contact:**  
Transfer Agent Department (Help Desk)  
Mitsubishi UFJ Trust and Banking Corporation  
Phone: 0120-173-027 (9:00 to 21:00 (Japan Time), toll free (Japan only))

Information on live distribution of the Ordinary General Meeting of Shareholders:

We will broadcast live so that you can see the state of the Ordinary General Meeting of Shareholders from your home.

Delivery date and time: From 10:00 am on Monday, June 27, 2022 to the close of the Ordinary General Meeting of Shareholders  
(The distribution page is scheduled to open around 9:30 am, 30 minutes before the start time.)

How to watch:

- a) Access to the site only for the Shareholders, “Engagement Portal” of the day  
<https://engagement-portal.tr.mufg.jp/>
- b) Login to the page of the Company’s General Meeting of Shareholders  
Please enter the ID and the password stated in voting rights exercise form.

Precautions:

- ✓ Delivery will be in Japanese only.
- ✓ Due to unavoidable circumstances, live distribution may not be possible.
- ✓ Since live distribution viewing is not permitted as the attendance of the ordinary General Meeting of Shareholders under the Companies Act of Japan (the “Companies Act”), it is not possible to participate in the resolution of the day, ask questions, exercise voting rights or make motions that are permitted to shareholders at the venue of the Ordinary General Meeting of Shareholders. Please exercise your voting rights in advance by using the method shown on page 3.
- ✓ Watching is limited to the Shareholders only.
- ✓ Shooting / recording of live distribution and publication on SNS etc. are strictly prohibited.
- ✓ Communication charges for viewing will be borne by each shareholder.

Assistance regarding how to login to the site only for the Shareholders:

Mitsubishi UFJ Trust and Banking Corporation 0120-676-808 (9:00 to 17:00 excluding weekends and holidays (Japan Time), toll free (Japan only))

## Reference Documents for the 17<sup>th</sup> Ordinary General Meeting of Shareholders

### Proposals and References

#### First Proposal: Appropriation of Surplus

The Company regards the distribution of profits to all shareholders as a key management issue. Its basic policy is to pay a stable dividend.

During the fiscal year ended March 31, 2022 (fiscal 2021), the Company paid an interim dividend of ¥13.50 per share on December 1, 2021. A year-end dividend of ¥13.50 is also planned, bringing total dividend payments for fiscal 2021 to ¥27.00 per share.

Accordingly, for this fiscal year, the Company proposes to pay year-end dividends as follows.

#### Matters regarding year-end dividends

- 1) Type of dividend property  
Money
- 2) Matters regarding the assignment of the dividend property to shareholders and the total amount  
¥13.50 per common share of the Company  
Total amount: ¥25,876,617,831
- 3) Date on which such distribution of dividends from surplus takes effect  
June 28, 2022, Tuesday

**Second Proposal: Partial Amendments to the Articles of Incorporation**

The Company proposes to make partial amendment to the current Articles of Incorporation of the Company as described below.

## 1. Reason for the amendments

The amended provisions stipulated in the supplementary provision of Article 1 of the Act Partially Amending the Companies Act (Act No. 70 of 2019) will be enforced on September 1, 2022. In order to accommodate a system for providing general shareholder meeting materials in electronic format, the Articles of Incorporation of the Company shall be amended as follows:

- (1) The proposed amendments to Article 16, Paragraph 1 shall stipulate that the Company takes the electronic provision measure for information included in the reference document for General Meeting of Shareholders, etc.
- (2) The proposed amendments to Article 16, Paragraph 2 shall establish a provision to limit the scope of matters to be included in the paper copy sent to shareholders who have requested it.
- (3) The provisions related to the Disclosure on Internet of Reference Materials for General Meeting of Shareholders Deemed and Deemed Provision of that Information (Article 16 of the current Articles of Incorporation) will become unnecessary and therefore be deleted.
- (4) In line with the above establishment and deletion of the provisions, supplementary provisions related to the effective date, etc. shall be established.

## 2. Detail of the proposed amendments

Detail of the proposed amendments are as follows:

Deleted	<p>Article 16 (Disclosure of the Reference Materials for a General Shareholders Meeting on the Internet and Deemed Provision)</p> <p>The Company may, in convening a General Shareholders Meeting, deem to provide information with respect to items which should be described or displayed in the reference materials for the General Shareholders Meeting, business reports, financial statements and consolidated financial statements by disclosing them on the Internet in accordance with ordinances of the Ministry of Justice.</p>
Newly established	<p>Article 16 (Electronic Provision Measure, Etc.)</p> <p>16.1 The Company shall, when convening a General Meeting of Shareholders, take the electronic provision measure for information included in the reference document for General Meeting of Shareholders, etc.</p> <p>16.2 Among the matters subject to the electronic provision measure, the Company may choose not to include all or part of the matters stipulated in the Ordinance of the Ministry of Justice in the paper copy to be sent to shareholders who have requested it by the record date for voting rights.</p> <p>(Supplementary Provisions)</p> <ol style="list-style-type: none"> <li>1. The deletion of Article 16 (Disclosure of the Reference Materials for a General Shareholders Meeting on the Internet and Deemed Provision) of the Articles of Incorporation before amendment and Article 16 (Electronic Provision Measure, Etc.) of the Articles of Incorporation after amendment shall come into effect on September 1, 2022 which is the effective date of the amended provisions stipulated in the supplementary provision of Article 1 of the Act Partially Amending the Companies Act (Act No. 70 of 2019) (hereinafter, “the Effective Date”).</li> <li>2. Notwithstanding the provisions of the preceding paragraph, Article 16 of the Articles of Incorporation before amendment shall remain in force with respect to a General Meeting of Shareholders to be held on a date within six (6) months from the Effective Date.</li> <li>3. These supplementary provisions shall be deleted on the later of either the day on which six (6) months elapse from the Effective Date or the day on which three (3) months elapse from the day of the General Meeting of Shareholders set forth in the preceding paragraph.</li> </ol>

**Third Proposal: Election of Nine (9) Directors**

The terms of office of all nine (9) current Directors will expire at the close of this Ordinary General Meeting of Shareholders.


Accordingly, the Company requests approval for the election of nine (9) Directors. Each nominee is voted separately. Candidates for Directors are as follows:

Candidate Number	Name (Age)	Tenure	Number of Board of Directors' meetings attended
1	Sunao Manabe (67) Reelection	8 years	17/17 (100%)
2	Shoji Hirashima (61) Reelection	2 years	17/17 (100%)
3	Masahiko Ohtsuki (62) Reelection	2 years	17/17 (100%)
4	Hiroyuki Okuzawa (59) Reelection	1 year	10/10 (100%)
5	Noritaka Uji (73) Reelection Independent Director Outside Director	8 years	17/17 (100%)
6	Kazuaki Kama (73) Reelection Independent Director Outside Director	3 years	17/17 (100%)
7	Sawako Nohara (64) Reelection Independent Director Outside Director	3 years	17/17 (100%)
8	Takashi Fukuoka (61) New election	—	—
9	Yasuhiro Komatsu (64) New election Independent Director Outside Director	—	—

## Notes:

- There is no special interest between each candidate and the Company.
- Candidates for Outside Directors, Noritaka Uji, Kazuaki Kama and Sawako Nohara satisfy the requirements for Independent Directors/Corporate Auditors as provided by the Tokyo Stock Exchange and criteria for independence as Outside Directors provided by the Company, and the Company has filed them as Independent Directors with the aforementioned stock exchange. If the election of Yasuhiro Komatsu is approved at the Meeting, he will also be designated as Independent Director and the Company will file him as an Independent Director as he satisfies the requirements for Independent Directors/Corporate Auditors as provided by the Tokyo Stock Exchange and criteria for independence as Outside Directors provided by the Company.
- With regard to liability for damages under Article 423, Paragraph 1 of the Companies Act, the Company has entered into agreements with each Outside Director to limit their liabilities in accordance with the Articles of Incorporation in cases falling under the requirements defined in laws and ordinances (Liability Limitation Agreements), and the maximum amount of liabilities under such agreement is the minimum liability amount as provided by applicable laws and ordinances. If the election of each candidate for Outside Director is approved at the Meeting, we will enter into the Liability Limitation Agreements on the same terms and conditions.
- The Company has entered into a directors and officers liability insurance policy with an insurance company. The insurance policy covers damages such as compensation for damages and litigation expenses to be borne by the insured in cases where an insured receives a claim for damages from a shareholder, a third party, etc. However, the Company has taken measures to ensure that the appropriateness of execution of duties by officers is not impaired by establishing certain reasons for coverage exclusion, such as damages arising from performance of an illegal act with full knowledge of its illegality.  
The full amount of the insurance premiums is borne by the Company and Group companies in Japan and overseas. If the election of each candidate for Director is approved, the Company plans to include each of them as an insured under the insurance policy and renew the policy in July 2022.
- The age of each candidate for Director is as of June 27, 2022.
- The number of attendance for Hiroyuki Okuzawa in the meetings of Board of Directors indicates the number of attendance only to such meetings during fiscal 2021 held after his assumptions of office on June 21, 2021.





Candidate No. 1	
Name (Date of Birth (Age))	Career Summary, Positions, Assignments, and Material Concurrent Positions (as of May 19, 2022)
 <p>Sunao Manabe (Aug. 5, 1954 (67))</p> <p>Reelection</p>	<p>Apr. 1978 Joined Sankyo Company, Limited (“Sankyo”)</p> <p>Jul. 2005 Vice President, Medicinal Safety Research Laboratories of Sankyo</p> <p>Apr. 2007 Vice President, Medicinal Safety Research Laboratories of the Company</p> <p>Apr. 2009 Corporate Officer, Vice President of Global Project Management Department, R&amp;D Division of the Company</p> <p>Apr. 2011 Corporate Officer, Head of Group HR &amp; CSR of the Company</p> <p>Apr. 2012 Corporate Officer, Vice President of Corporate Strategy Department, Corporate Strategy Division of the Company</p> <p>Apr. 2014 Executive Officer, President of Japan Company and Head of Business Intelligence Division of the Company</p> <p>Jun. 2014 Director, Executive Officer, President of Japan Company and Head of Business Intelligence Division of the Company</p> <p>Apr. 2015 Director, Senior Executive Officer, In Charge of Global Sales &amp; Marketing of the Company</p> <p>Apr. 2016 Director, Executive Vice President, Head of General Affairs &amp; Human Resources Division, and Medical Affairs Division of the Company<sup>1)</sup></p> <p>Jun. 2016 Representative Director, Executive Vice President, Head of General Affairs &amp; Human Resources Division, and Medical Affairs Division of the Company<sup>1)</sup></p> <p>Apr. 2017 Representative Director, President and COO of the Company</p> <p>Jun. 2019 Representative Director, President and CEO of the Company (to present)</p> <p style="text-align: right;">1) Appointed also as the Head of General Affairs &amp; Human Resources Unit in the Global Management Structure of Daiichi Sankyo Group</p>
Number of Shares of the Company Held	140,010
Number of years as a Director	Eight (8) years at the close of this Ordinary General Meeting of Shareholders
Rate of attendance in meeting of Board of Directors	17/17 meetings (100%)
Reason for nomination as a candidate for Director	<p>Sunao Manabe has been involved in research, development, international business, general affairs &amp; human resources, corporate strategy, global sales &amp; marketing and medical affairs in the Company, and served as a Director since 2014, a Representative Director, President and COO since 2017, and President and CEO since 2019.</p> <p>At Board of Directors, he has appropriately fulfilled the role of decision making and supervision of business execution by making useful remarks and proposals, based on the above experience, professional expertise, and representative position of the Company.</p> <p>Also, he has appropriately made proposals and responded to inquiries at both the Nomination Committee and the Compensation Committee from the standpoint of representing the business execution, based on the policies of both committees, and has contributed to strengthen management oversight function of both committees.</p> <p>The Company has again nominated him as a candidate of Director, expecting him to continue to fulfill the above roles.</p>
Note	<ol style="list-style-type: none"> <li>There is no special interest between Sunao Manabe and the Company.</li> <li>The Company has entered into a directors and officers liability insurance policy with an insurance company. The insurance policy covers damages such as compensation for damages and litigation expenses to be borne by the insured in cases where an insured receives a claim for damages from a shareholder, a third party, etc. However, the Company has taken measures to ensure that the appropriateness of execution of duties by officers is not impaired by establishing certain reasons for coverage exclusion, such as damages arising from performance of</li> </ol>


an illegal act with full knowledge of its illegality.


The full amount of the insurance premiums is borne by the Company and Group companies in Japan and overseas.

If his election is approved at the Meeting, the Company plans to include him as an insured under the insurance policy and renew the said policy in July 2022.

Candidate No. 2	
Name (Date of Birth (Age))	Career Summary, Positions, Assignments, and Material Concurrent Positions (as of May 19, 2022)
 Shoji Hirashima (Mar. 6, 1961 (61)) Candidate for Director Reelection	<p>Apr. 1988 Joined Daiichi Pharmaceutical Company, Limited</p> <p>Apr. 2010 CEO, U3 Pharma GmbH</p> <p>Apr. 2015 Vice President, Corporate Strategy Department, Corporate Strategy Division of the Company</p> <p>Apr. 2016 Vice President of Corporate Strategy Department and Senior Director of Oncology Business Group, Corporate Strategy Division of the Company</p> <p>Apr. 2017 Corporate Officer, Vice President of Corporate Business Management Department, Corporate Strategy and Management Division</p> <p>Apr. 2019 Executive Officer, Head of Global Brand Strategy Division of the Company<sup>1)</sup></p> <p>Apr. 2020 Senior Executive Officer, Head of Global Brand Strategy Division of the Company<sup>1)</sup></p> <p>Jun. 2020 Director, Senior Executive Officer, Head of Global Brand Strategy Division of the Company<sup>1)</sup></p> <p>Apr. 2021 Director, Senior Executive Officer, Head of Corporate Strategy Division of the Company<sup>2)</sup></p> <p>Apr. 2022 Director, Senior Executive Officer, Head of Japan Business Unit of the Company<sup>3)</sup> (to present)</p> <p>1) Appointed also as the Head of Global Brand Strategy Unit in the Global Management Structure of Daiichi Sankyo Group</p> <p>2) Appointed also as the Head of Corporate Strategy Unit in the Global Management Structure of Daiichi Sankyo Group</p> <p>3) Appointed also as the Head of Japan Business Unit in the Global Management Structure of Daiichi Sankyo Group</p>
Number of Shares of the Company Held	64,090
Number of years as a Director	Two (2) years at the close of this Ordinary General Meeting of Shareholders
Rate of attendance in meeting of Board of Directors	17/17 meetings (100%)
Reason for nomination as a candidate for Director	<p>Shoji Hirashima has been involved in research and development, international business, corporate strategy, brand strategy and oncology business, and served as a Corporate Officer since 2017 and Director since 2020.</p> <p>At Board of Directors, he has appropriately fulfilled the role of decision making and supervision of business execution by making useful remarks and recommendations, based on the above experience, professional expertise, and the viewpoint of the entire business of the Company.</p> <p>The Company has again nominated him as a candidate of Director, expecting him to continue to fulfill the above roles.</p>
Note	<p>1. There is no special interest between Shoji Hirashima and the Company.</p> <p>2. The Company has entered into a directors and officers liability insurance policy with an insurance company. The insurance policy covers damages such as compensation for damages and litigation expenses to be borne by the insured in cases where an insured receives a claim for damages from a shareholder, a third party, etc. However, the Company has taken measures to ensure that the appropriateness of execution of duties by officers is not impaired by establishing certain reasons for coverage exclusion, such as damages arising from performance of an illegal act with full knowledge of its illegality. The full amount of the insurance premiums is borne by the Company and Group companies in Japan and overseas. If his election is approved at the Meeting, the Company plans to include him as an insured under the insurance policy and renew the said policy in July 2022.</p>


Candidate No. 3	
Name (Date of Birth (Age))	Career Summary, Positions, Assignments, and Material Concurrent Positions (as of May 19, 2022)
 Masahiko Ohtsuki (Oct. 13, 1959 (62)) Candidate for Director Reelection	Apr. 1987 Joined Sankyo Company, Limited Apr. 2010 Vice President, R&D Planning Department, R&D Division of the Company Apr. 2012 Vice President, Research Oversight Function, R&D Division of the Company. Apr. 2013 Vice President, Research Oversight Function, R&D Division of the Company Apr. 2014 Corporate Officer, Vice President of Research Oversight Function, R&D Division of the Company Apr. 2018 Corporate Officer, Vice President of Business Development & Licensing Department of the Company Apr. 2019 Executive Officer, Vice president of Business Development & Licensing Department of the Company Apr. 2020 Senior Executive Officer, Head of Digital Transformation Management Division <sup>1)</sup> Jun. 2020 Director, Senior Executive Officer, Head of Digital Transformation Management Division <sup>1)</sup> (to present)  1) Appointed also as the Head of Digital Transformation Management Unit and CIO (Chief Information Officer) in the Global Management Structure of Daiichi Sankyo Group
Number of Shares of the Company Held	55,682
Number of years as a Director	Two (2) years at the close of this Ordinary General Meeting of Shareholders
Rate of attendance in meeting of Board of Directors	17/17 meetings (100%)
Reason for nomination as a candidate for Director	<p>Masahiko Ohtsuki has been involved in research and development, international business, business development and licensing, and digital transformation in the Company, and served as a Corporate Officer since 2014, and Director and CIO (Chief Information Officer) of Daiichi Sankyo Group since 2020.</p> <p>At Board of Directors, he has appropriately fulfilled the role of decision making and supervision of business execution by making useful remarks and recommendations, based on the above experience, professional expertise, and the viewpoint of the entire business of the Company.</p> <p>The Company has again nominated him as a candidate of Director, expecting him to continue to fulfill the above roles.</p>
Note	<ol style="list-style-type: none"> <li>There is no special interest between Masahiko Ohtsuki and the Company.</li> <li>The Company has entered into a directors and officers liability insurance policy with an insurance company. The insurance policy covers damages such as compensation for damages and litigation expenses to be borne by the insured in cases where an insured receives a claim for damages from a shareholder, a third party, etc. However, the Company has taken measures to ensure that the appropriateness of execution of duties by officers is not impaired by establishing certain reasons for coverage exclusion, such as damages arising from performance of an illegal act with full knowledge of its illegality. The full amount of the insurance premiums is borne by the Company and Group companies in Japan and overseas. If his election is approved at the Meeting, the Company plans to include him as an insured under the insurance policy and renew the said policy in July 2022.</li> </ol>

Candidate No. 4	
Name (Date of Birth (Age))	Career Summary, Positions, Assignments, and Material Concurrent Positions (as of May 19, 2022)
 <p>Hiroyuki Okuzawa (Oct. 31, 1962 (59))</p> <p>Candidate for Director</p> <p>Reelection</p>	<p>Apr. 1986 Joined Sankyo Company, Limited</p> <p>Apr. 2017 Vice President of Business Planning Department, ASCA Company of the Company</p> <p>Apr. 2018 Corporate Officer, President of ASCA Company of the Company</p> <p>Apr. 2021 Executive Officer, Head of Corporate Planning &amp; Management Division and CFO of the Company</p> <p>Jun. 2021 Director, Executive Officer, Head of Corporate Planning &amp; Management Division and CFO of the Company</p> <p>Apr. 2022 Director, Senior Executive Officer, Head of Corporate Planning &amp; Management Division and CFO of the Company (to present)</p> <p>1) Appointed also as the President of ASCA Company in the Global Management Structure of Daiichi Sankyo Group</p> <p>2) Appointed also as the Head of Corporate Planning &amp; Management Unit in the Global Management Structure of Daiichi Sankyo Group</p>
Number of Shares of the Company Held 35,296	
Number of years as a Director One (1) year at the close of this Ordinary General Meeting of Shareholders Rate of attendance in meeting of Board of Directors 10/10 meetings (100%) (after his assumption of office on June 21, 2021)	
Reason for nomination as a candidate for Director  Hiroyuki Okuzawa has been involved in international business, corporate strategy, human resources and corporate planning & management in the Company, and has served as a Corporate Officer since 2018, Director and CFO since 2021.  At Board of Directors, he has appropriately fulfilled the role of decision making and supervision of business execution by making useful remarks and recommendations, based on the above experience, professional expertise, and the viewpoint of the entire business as CFO of the Company.  The Company has again nominated him as a candidate of Director, expecting him to continue to fulfill the above roles.	
Note 1. There is no special interest between Hiroyuki Okuzawa and the Company. 2. The Company has entered into a directors and officers liability insurance policy with an insurance company. The insurance policy covers damages such as compensation for damages and litigation expenses to be borne by the insured in cases where an insured receives a claim for damages from a shareholder, a third party, etc. However, the Company has taken measures to ensure that the appropriateness of execution of duties by officers is not impaired by establishing certain reasons for coverage exclusion, such as damages arising from performance of an illegal act with full knowledge of its illegality. The full amount of the insurance premiums is borne by the Company and Group companies in Japan and overseas. If his election is approved at the Meeting, the Company plans to include him as an insured under the insurance policy and renew the said policy in July 2022.	

Candidate No. 5		
Name (Date of Birth (Age))	Career Summary, Positions, Assignments, and Material Concurrent Positions (as of May 19, 2022)	
 <p>Noritaka Uji (Mar. 27, 1949 (73))</p> <p>Candidate for Outside Director</p> <p>Independent Director</p> <p>Reelection</p>	<p>Apr. 1973 Joined Nippon Telegraph and Telephone Public Corporation</p> <p>Jun. 1999 Director, Senior Vice President, Advanced Information Network Services Sector of NTT DATA Corporation (“NTT DATA”)</p> <p>Sep. 2000 Director, Senior Vice President, Corporate Strategy Planning Department of NTT DATA</p> <p>Jun. 2001 Director, Senior Vice President, Industrial System Sector of NTT DATA</p> <p>Apr. 2002 Director, Senior Vice President, Enterprise Business Sector of NTT DATA</p> <p>Jun. 2003 Managing Director, Executive Vice President, Enterprise Systems Sector and Enterprise Business Sector of NTT DATA</p> <p>Jun. 2005 Representative Director, Executive Officer of NTT DATA</p> <p>Jun. 2007 Representative Director, Senior Executive Vice President of Nippon Telegraph and Telephone Corporation (“NTT”)</p> <p>Jun. 2012 Adviser of NTT</p> <p>Jun. 2014 Outside Director of the Company (to present)</p> <p>Jun. 2020 Chairperson of Board of Directors of the Company (to present)</p>	
	Number of Shares of the Company Held 14,500	
	<p>Number of years as a Director Eight (8) years at the close of this Ordinary General Meeting of Shareholders</p> <p>Rate of attendance in meeting of Board of Directors 17/17 meetings (100%)</p> <p>Rate of attendance in meeting of Nomination Committee 10/10 meetings (100%)</p> <p>Rate of attendance in meeting of Compensation Committee 11/11 meetings (100%)</p> <p>Material concurrent positions Outside Director of Yokogawa Electric Corporation Honorary Chairperson of Japan Institute of Information Technology Honorary President of Japan Telemarketing Association Visiting Professor of Center for Global Communications, International University of Japan</p>	
	Reason for nomination as a candidate for Outside Director	
	<p>Noritaka Uji has a wealth of experience and a wide range of knowledge in corporate management and IT / digital technology, from his experience as a company manager in the information and communication field.</p> <p>He has been the first Outside Director of the Company to become Chairperson of Board of Directors since June 2020. Based on the above experience, professional expertise and objective standpoint, he has made useful remarks and recommendations, and chaired and managed Board of Directors appropriately, having contributed to the separation of execution and supervision and appropriately fulfilled the role of supervision for business execution. Also, as a member of the Nomination Committee and Compensation Committee, he has made statements actively from an outside perspective and contributed to strengthen management oversight function of both committees.</p> <p>The Company has again nominated him as a candidate of Outside Director, expecting him to continue to fulfill the above roles.</p>	
	Note	
	<p>1. There is no special interest between Noritaka Uji and the Company.</p> <p>2. Noritaka Uji satisfies the requirements for Independent Directors/Corporate Auditors as provided for by the Tokyo Stock Exchange and criteria for independence as Outside Directors/Corporate Auditors provided by the Company, and the Company has filed him as an Independent Director with the aforementioned stock exchange. If the election of Noritaka Uji is approved at the Meeting, he will continue to be designated as an Independent Director.</p> <p>3. With regard to liability for damages under Article 423, Paragraph 1 of the Companies Act, the Company has entered</p>	

into an agreement with Noritaka Uji to limit his liability in accordance with the Articles of Incorporation in cases falling under the requirements defined in laws and ordinances (Liability Limitation Agreement), and the maximum amount of liabilities under such agreement is the minimum liability amount as provided by applicable laws and ordinances. If the election of Noritaka Uji is approved at the Meeting, we will continue the Liability Limitation Agreement on the same terms and conditions.


4. The Company has entered into a directors and officers liability insurance policy with an insurance company. The insurance policy covers damages such as compensation for damages and litigation expenses to be borne by the insured in cases where an insured receives a claim for damages from a shareholder, a third party, etc. However, the Company has taken measures to ensure that the appropriateness of execution of duties by officers is not impaired by establishing certain reasons for coverage exclusion, such as damages arising from performance of an illegal act with full knowledge of its illegality.  
The full amount of the insurance premiums is borne by the Company and Group companies in Japan and overseas. If his election is approved at the Meeting, the Company plans to include him as an insured under the insurance policy and renew the said policy in July 2022.

Candidate No. 6	
Name (Date of Birth (Age))	Career Summary, Positions, Assignments, and Material Concurrent Positions (as of May 19, 2022)
 <p>Kazuaki Kama (Dec. 26, 1948 (73))</p> <p>Candidate for Outside Director</p> <p>Independent Director</p> <p>Reelection</p>	<p>Jul. 1971 Joined Ishikawajima-Harima Heavy Industries Co., Ltd. (currently, IHI Corporation)</p> <p>Jun. 1987 Executive Vice President of IHI INC. (New York)</p> <p>Jul. 2002 Associate Director and Deputy General Manager of Finance and Accounting Division of Ishikawajima-Harima Heavy Industries Co., Ltd.</p> <p>Jun. 2004 Executive Officer and General Manager of Finance and Accounting Division of Ishikawajima-Harima Heavy Industries Co., Ltd.</p> <p>Apr. 2005 Managing Executive Officer, General Manager of Finance and Accounting Division of Ishikawajima-Harima Heavy Industries Co., Ltd.</p> <p>Jun. 2005 Board Director, Managing Executive Officer, General Manager of Finance and Accounting Division of Ishikawajima-Harima Heavy Industries Co., Ltd.</p> <p>Apr. 2007 President and Chief Executive Officer of Ishikawajima-Harima Heavy Industries Co., Ltd.</p> <p>Apr. 2012 Chairperson of the Board of IHI Corporation</p> <p>Apr. 2016 Board Director of IHI Corporation</p> <p>Jun. 2016 Executive Corporate Advisor of IHI Corporation</p> <p>Jun. 2019 Outside Director of the Company (to present)</p> <p>Apr. 2020 Senior Advisor of IHI Corporation (to present)</p>
	<p>Number of Shares of the Company Held 3,100</p>
	<p>Number of years as a Director Three (3) years at the close of this Ordinary General Meeting of Shareholders</p> <p>Rate of attendance in meeting of Board of Directors 17/17 meetings (100%)</p> <p>Rate of attendance in meeting of Nomination Committee 10/10 meetings (100%)</p> <p>Rate of attendance in meeting of Compensation Committee 11/11 meetings (100%)</p> <p>Material concurrent positions Senior Advisor of IHI Corporation Outside Director of SUMITOMO LIFE INSURANCE COMPANY Statutory Auditor (Outside) of Tokyo Stock Exchange, Inc. Outside Audit &amp; Supervisory Board Member of JPX Market Innovation &amp; Research, Inc.</p>
	<p>Reason for nomination as a candidate for Outside Director</p> <p>Kazuaki Kama has a wealth of experience and a wide range of knowledge in corporate management and financial accounting, from his experience as a company manager at a heavy industry manufacturer.</p> <p>At Board of Directors, he has appropriately fulfilled the role of supervision of business execution by making useful remarks and recommendations, based on the above experience, professional expertise, and objective standpoint.</p> <p>Also, he has appropriately chaired and managed the Compensation Committee as the chair (since July 2019) and has made beneficial statements at the Nomination Committee, having contributed to strengthen management oversight function of both committees.</p> <p>The Company has again nominated him as a candidate of Outside Director, expecting him to continue to fulfill the above roles.</p>
	<p>Note</p> <p>1. There is no special interest between Kazuaki Kama and the Company.</p> <p>2. The Tokyo Stock Exchange, Inc. (hereinafter referred to as the "TSE"), for which Kazuaki Kama serves as an outside auditor, had a failure in the stock trading system in October 2020 and all transactions on the TSE were suspended all day. In response to this, in November 2020, the Financial Services Agency imposed an improvement order to TSE,</p>




having recognized that there was a defect in the setting of the automatic switching function of the device in which the failure occurred and that the TSE rules regarding the resumption of trading were not sufficient. Since before the occurrence of the event, Kazuaki Kama has made appropriate proposals for stable and reliable market management at the Board of Directors meeting of TSE. After the event happening, based on the investigation report by the “Investigation Committee by Independent Outside Directors Concerning System Failures” established by Japan Exchange Group Inc., which is the parent company of TSE, Kazuaki Kama made appropriate recommendations regarding matters such as recurrence prevention measures, and has fulfilled his responsibilities.


3. Kazuaki Kama satisfies the requirements for Independent Directors/Corporate Auditors as provided for by the Tokyo Stock Exchange and criteria for independence as Outside Directors provided by the Company, and the Company has filed him as an Independent Director with the aforementioned stock exchange. If the election of Kazuaki Kama is approved at the Meeting, he will continue to be designated as an Independent Director.
4. With regard to liability for damages under Article 423, Paragraph 1 of the Companies Act, the Company has entered into an agreement with Kazuaki Kama to limit his liability in accordance with the Articles of Incorporation in cases falling under the requirements defined in laws and ordinances (Liability Limitation Agreement), and the maximum amount of liabilities under such agreement is the minimum liability amount as provided by applicable laws and ordinances. If the election of Kazuaki Kama is approved at the Meeting, we will continue the Liability Limitation Agreement on the same terms and conditions.
5. The Company has entered into a directors and officers liability insurance policy with an insurance company. The insurance policy covers damages such as compensation for damages and litigation expenses to be borne by the insured in cases where an insured receives a claim for damages from a shareholder, a third party, etc. However, the Company has taken measures to ensure that the appropriateness of execution of duties by officers is not impaired by establishing certain reasons for coverage exclusion, such as damages arising from performance of an illegal act with full knowledge of its illegality.  
The full amount of the insurance premiums is borne by the Company and Group companies in Japan and overseas. If his election is approved at the Meeting, the Company plans to include him as an insured under the insurance policy and renew the said policy in July 2022.

Candidate No. 7		
Name (Date of Birth (Age))	Career Summary, Positions, Assignments, and Material Concurrent Positions (as of May 19, 2022)	
 Sawako Nohara (Jan. 16, 1958 (64)) Candidate for Outside Director Independent Director Reelection	Apr. 1980 Joined Mitsubishi Petrochemical Co., Ltd. (currently, Mitsubishi Chemical Corporation) Dec. 1988 Joined Life Science Institute Co., Ltd. Jul. 1995 Joined InfoCom Research, Inc. Jul. 1998 Head of the E-Commerce Business Development Group of InfoCom Research, Inc. Dec. 2001 President of IPSe Marketing, Inc. (to present) Apr. 2006 Outside Director of the Board of NEC Corporation Oct. 2009 Project Professor of the Graduate School of Media and Governance, Keio University Jun. 2012 Audit & Supervisory Board Member of Sompo Japan Insurance Inc. Jun. 2013 Outside Director of the Board of NKSJ Holdings, Inc. (currently, Sompo Holdings, Inc.) Jun. 2014 Outside Director of the Board of Nissha Printing Co., Ltd. (currently, Nissha Co., Ltd.) Jun. 2014 Outside Director of the Board of JAPAN POST BANK Co., Ltd. Jun. 2018 Outside Audit & Supervisory Board Member of Tokyo Gas Co., Ltd. Jun. 2019 Outside Director of the Company (to present) Apr. 2020 Project Professor of the Graduate School of Media and Governance, Keio University Jun. 2021 Outside Director of Tokyo Gas Co., Ltd. (to present) Jun. 2021 Outside Director of Keikyu Corporation (to present)	
	Number of Shares of the Company Held	1,100
	Number of years as a Director	Three (3) year at the close of this Ordinary General Meeting of Shareholders
	Rate of attendance in meeting of Board of Directors	17/17 meetings (100%)
	Rate of attendance in meeting of Nomination Committee	10/10 meetings (100%)
	Rate of attendance in meeting of Compensation Committee	11/11 meetings (100%)
	Material concurrent positions	President of IPSe Marketing, Inc. Outside Director of Tokyo Gas Co., Ltd. (Scheduled to retire in June 2022) Outside Director of Keikyu Corporation Outside Director of Resona Holdings, Inc. (Scheduled to take office in June 2022)
	Reason for nomination as a candidate for Outside Director	<p>Sawako Nohara has a wealth of experience and a wide range of knowledge in corporate management, IT, business, and marketing strategy, from her experience as a company founder and manager related to the internet and digital business.</p> <p>At Board of Directors, she has appropriately fulfilled the role of supervision of business execution by making useful remarks and recommendations, based on the above experience, professional expertise, and objective standpoint.</p> <p>Also, as a member of the Nomination Committee and Compensation Committee, she has made statements actively from an outside perspective, and has contributed to strengthen management oversight function of both committees.</p> <p>The Company has again nominated her as a candidate of Outside Director, expecting her to continue to fulfill the above roles.</p>

## Note

1. There is no special interest between Sawako Nohara and the Company.
2. Sawako Nohara satisfies the requirements for Independent Directors/Corporate Auditors as provided for by the Tokyo Stock Exchange and criteria for independence as Outside Directors provided by the Company, and the Company has filed her as an Independent Director with the aforementioned stock exchange. If the election of Sawako Nohara is approved at the Meeting, she will continue to be designated as an Independent Director.
3. With regard to liability for damages under Article 423, Paragraph 1 of the Companies Act, the Company has entered into an agreement with Sawako Nohara to limit her liability in accordance with the Articles of Incorporation in cases falling under the requirements defined in laws and ordinances (Liability Limitation Agreement), and the maximum amount of liabilities under such agreement is the minimum liability amount as provided by applicable laws and ordinances. If the election of Sawako Nohara is approved at the Meeting, we will continue the Liability Limitation Agreement on the same terms and conditions.
4. The Company has entered into a directors and officers liability insurance policy with an insurance company. The insurance policy covers damages such as compensation for damages and litigation expenses to be borne by the insured in cases where an insured receives a claim for damages from a shareholder, a third party, etc. However, the Company has taken measures to ensure that the appropriateness of execution of duties by officers is not impaired by establishing certain reasons for coverage exclusion, such as damages arising from performance of an illegal act with full knowledge of its illegality.  
The full amount of the insurance premiums is borne by the Company and Group companies in Japan and overseas. If her election is approved at the Meeting, the Company plans to include her as an insured under the insurance policy and renew the said policy in July 2022.

Candidate No. 8	
Name (Date of Birth (Age))	Career Summary, Positions, Assignments, and Material Concurrent Positions (as of May 19, 2022)
 <p>Takashi Fukuoka (Apr. 27, 1961 (61))</p> <p>Candidate for Director</p> <p>New election</p>	<p>Apr. 1987    Joined Sankyo Company, Limited</p> <p>Apr. 2013    Vice President of Venture Science Laboratories, R&amp;D Division of the Company</p> <p>Apr. 2019    Corporate Officer, Executive Vice President, R&amp;D Affairs, Daiichi Sankyo, Inc.</p> <p>Apr. 2022    Executive Officer, Head of Corporate Strategy Division of the Company<sup>1)</sup> (to present)</p> <p>1) Appointed also as the Head of Corporate Strategy Unit in the Global Management Structure of Daiichi Sankyo Group</p>
Number of Shares of the Company Held    9,529	
Reason for nomination as a candidate for Director	
<p>Takashi Fukuoka has been involved in research and development, international business, and corporate strategy in the Company, and has served as a Corporate Officer since 2019.</p> <p>The Company has nominated him as a candidate for Director, expecting him to ensure and enhance the effectiveness of the decision making and supervision of Board of Directors by leveraging a wealth of experience and a wide range of knowledge.</p>	
Note	
<ol style="list-style-type: none"> <li>There is no special interest between Takashi Fukuoka and the Company.</li> <li>The Company has entered into a directors and officers liability insurance policy with an insurance company. The insurance policy covers damages such as compensation for damages and litigation expenses to be borne by the insured in cases where an insured receives a claim for damages from a shareholder, a third party, etc. However, the Company has taken measures to ensure that the appropriateness of execution of duties by officers is not impaired by establishing certain reasons for coverage exclusion, such as damages arising from performance of an illegal act with full knowledge of its illegality. The full amount of the insurance premiums is borne by the Company and Group companies in Japan and overseas. If his election is approved at the Meeting, the Company plans to include him as an insured under the insurance policy and renew the said policy in July 2022.</li> </ol>	

Candidate No. 9	
Name (Date of Birth (Age))	Career Summary, Positions, Assignments, and Material Concurrent Positions (as of May 19, 2022)
 <p>Yasuhiro Komatsu (Oct 25, 1957 (64))</p> <p>Candidate for Outside Director</p> <p>Independent Director</p> <p>New election</p>	<p>Aug. 1998 Chief, Department of nephrology, St. Luke's International Hospital</p> <p>Nov. 2007 Director, Kidney center. St. Luke's International Hospital</p> <p>Jan. 2011 Vice President, Chief Quality and Safety Officer, St. Luke's International Hospital</p> <p>Nov. 2017 Chairman and Professor, Department of Healthcare Quality and Safety, Graduate School of Medicine, Gunma University (to present)</p> <p>Nov. 2017 Director, Department of Healthcare Quality and Safety, Gunma University Hospital (to present)</p> <p>Apr. 2018 Vice president (specially appointed), Gunma University Hospital (to present)</p>
	<p>Number of Shares of the Company Held 0</p>
	<p>Material concurrent positions</p> <p>Chairman and Professor, Department of Healthcare Quality and Safety, Graduate School of Medicine, Gunma University</p> <p>Director, Department of Healthcare Quality and Safety, Gunma University Hospital</p> <p>Vice president (specially appointed), Gunma University Hospital</p>
	<p>Reason for nomination as a candidate for Outside Director</p> <p>Yasuhiro Komatsu has a wealth of experience and a wide range of knowledge in medical care, clinical governance, public health, drug safety and risk management, from his experience as a medical doctor.</p> <p>The Company has nominated him as a candidate for Director, expecting him to ensure and enhance the effectiveness of the decision making and supervision of Board of Directors by leveraging a wealth of experience and a wide range of knowledge.</p>
	<p>Note</p> <ol style="list-style-type: none"> <li>There is no special interest between Yasuhiro Komatsu and the Company.</li> <li>Yasuhiro Komatsu satisfies the requirements for Independent Directors/Corporate Auditors as provided for by the Tokyo Stock Exchange and criteria for independence as Outside Directors provided by the Company, and the Company has filed him as an Independent Director with the aforementioned stock exchange. If the election of Yasuhiro Komatsu is approved at the Meeting, he will be designated as an Independent Director.</li> <li>With regard to liability for damages under Article 423, Paragraph 1 of the Companies Act, the Company has entered into an agreement with Yasuhiro Komatsu to limit his liability in accordance with the Articles of Incorporation in cases falling under the requirements defined in laws and ordinances (Liability Limitation Agreement), and the maximum amount of liabilities under such agreement is the minimum liability amount as provided by applicable laws and ordinances. If the election of Yasuhiro Komatsu is approved at the Meeting, we will continue the Liability Limitation Agreement on the same terms and conditions.</li> <li>The Company has entered into a directors and officers liability insurance policy with an insurance company. The insurance policy covers damages such as compensation for damages and litigation expenses to be borne by the insured in cases where an insured receives a claim for damages from a shareholder, a third party, etc. However, the Company has taken measures to ensure that the appropriateness of execution of duties by officers is not impaired by establishing certain reasons for coverage exclusion, such as damages arising from performance of an illegal act with full knowledge of its illegality. The full amount of the insurance premiums is borne by the Company and Group companies in Japan and overseas. If his election is approved at the Meeting, the Company plans to include him as an insured under the insurance policy and renew the said policy in July 2022.</li> </ol>

## (Reference) Skill Matrix of Board of Directors

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

In light of our Purpose, Mission, medium- to long-term management direction and business strategy, the Company has identified the nine (9) skills given the functions Board of Directors should have to fulfill, aiming to realize the 2030 Vision “Innovative Global Healthcare Company Contributing to the Sustainable Development of Society” as shown in the 5-year business plan.

The following table shows the composition of Board of Directors when Proposal 3 and 4 are approved as originally proposed at this Ordinary General Meeting of Shareholders, and the skills possessed by each Director and Audit & Supervisory Board Member.

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 Audit & Supervisory Board.

	Name	I	C	Skill									Qualification
				a	b	c	d	e	f	g	h	i	
Director	Sunao Manabe			✓		✓	✓	✓	✓		✓		Veterinarian
	Shoji Hirashima			✓	✓	✓	✓	✓		✓			
	Masahiko Ohtsuki			✓		✓		✓				✓	Pharmacist
	Hiroyuki Okuzawa			✓	✓		✓	✓	✓				
	Takashi Fukuoka			✓		✓		✓					Veterinarian
	Noritaka Uji	✓	✓	✓		✓	✓	✓	✓		✓	✓	
	Kazuaki Kama	✓		✓	✓			✓	✓	✓	✓		
	Sawako Nohara	✓		✓		✓	✓				✓	✓	
	Yasuhiro Komatsu	✓				✓			✓	✓			Doctor
Audit & Supervisory Board Member	Ryoichi Watanabe			✓	✓					✓			
	Kenji Sato					✓			✓	✓			
	Yukiko Imazu	✓							✓	✓			Lawyer
	Masako Watanabe	✓			✓								Certified public accountant
	Mitsuhiro Matsumoto	✓							✓	✓			

I: Independent Directors/Corporate Auditors as provided for by the Tokyo Stock Exchange and Outside Directors provided by the Company

C: Chairperson of Board of Directors

a: Corporate Management/ Management Strategy

b: Finance/Accounting

c: Science & Technology

d: Business Strategy/Marketing

e: Global Business

f: Human Resources/Human Resources Development

g: Legal/Risk Management


h: Sustainability/ESG

i: DX/IT

**Fourth Proposal: Election of Two (2) Audit & Supervisory Board Members**

The terms of office of Tateshi Higuchi and Yukiko Imazu, Audit & Supervisory Board Members, will expire at the close of this Ordinary General Meeting of Shareholders.

Accordingly, the Company requests approval for the election of two (2) Audit & Supervisory Board Members. The candidates are as follows. Audit & Supervisory Board has given its consent to this proposal.


Candidate No. 1	
Name (Date of Birth (Age))	Career Summary, Positions, Assignments, and Material Concurrent Positions
 <p>Yukiko Imazu (Jul. 28, 1968 (53))</p> <p>Candidate for Outside Audit &amp; Supervisory Board Member</p> <p>Independent Audit &amp; Supervisory Board Member</p> <p>Reelection</p>	<p>Apr. 1996 Joined Anderson Mōri (currently, Anderson Mōri &amp; Tomotsune)</p> <p>Jan. 2005 Partner, Attorney-at-Law, Anderson Mōri &amp; Tomotsune (to present)</p> <p>Apr. 2007 Associate Professor, Keio University Law School</p> <p>Mar. 2014 Director, Ishibashi Foundation (to present)</p> <p>Jun. 2018 Outside Audit &amp; Supervisory Board Member of the Company (to present)</p>
Number of Shares of the Company Held 0	
Number of years as an Outside Audit & Supervisory Board Member Four (4) years at the close of this Ordinary General Meeting of Shareholders Rate of attendance in meeting of Board of Directors 17/17 meetings (100%) Rate of attendance in meeting of Audit & Supervisory Board 15/15 meetings (100%) Material concurrent positions: Partner, Attorney-at-Law of Anderson Mōri & Tomotsune Outside Auditor of dip Corporation (scheduled to take office in May 2022) Outside Director of ALCONIX CORPORATION (scheduled to take office in June 2022)	
Reason for nomination as a candidate for Outside Audit & Supervisory Board Member  Yukiko Imazu has a wealth of experience and a wide range of knowledge in overall legal affairs, developed through her experience as a lawyer.  At Board of Directors and Audit & Supervisory Board, she made useful comments and proposals as needed based on the above experience, professional insight and objective standpoint. She also assessed the status of decision making by Board of Directors, thereby performing her duties to audit the execution of Directors' duties in an appropriate manner.  Also, she attended all meetings of the Compensation Committee held since she was appointed as an observer (June 2021) and provided valuable opinions and advice as needed.	

The Company has again nominated her as a candidate of Outside Audit & Supervisory Board Member, expecting her to continue to fulfill the above roles.

Note

1. There is no special interest between Yukiko Imazu and the Company.
2. Yukiko Imazu satisfies the requirements for Independent Directors/Corporate Auditors as provided for by the Tokyo Stock Exchange and criteria for independence as Outside Audit & Supervisory Board Members provided by the Company, and the Company has filed her as an Independent Corporate Auditor with the aforementioned stock exchange. If the election of Yukiko Imazu is approved at the Meeting, she will continue to be designated as an Independent Corporate Auditor.
3. With regard to liability for damages under Article 423, Paragraph 1 of the Companies Act, the Company has entered into an agreement with each Outside Audit & Supervisory Board Member to limit his/her liability in accordance with the Articles of Incorporation in cases falling under the requirements defined in laws and ordinances (Liability Limitation Agreement), and the maximum amount of liabilities under such agreement is the minimum liability amount as provided by applicable laws and ordinances. If her election is approved at the Meeting, we will continue the Liability Limitation Agreement on the same terms and conditions.
4. The Company has entered into a directors and officers liability insurance policy with an insurance company, which includes her as an insured. The insurance policy covers damages such as compensation for damages and litigation expenses to be borne by the insured in cases where an insured receives a claim for damages from a shareholder, a third party, etc. However, the Company has taken measures to ensure that the appropriateness of execution of duties by officers is not impaired by establishing certain reasons for coverage exclusion, such as damages arising from performance of an illegal act with full knowledge of its illegality.  
The full amount of the insurance premiums is borne by the Company and Group companies in Japan and overseas.  
If her election is approved at the Meeting, the Company plans to include her as an insured under the insurance policy and renew the said policy in July 2022.
5. The name of Yukiko Imazu in the family register is Yukiko Shimato.



Candidate No. 2	
Name (Date of Birth (Age))	Career Summary, Positions, Assignments, and Material Concurrent Positions
 <p>Mitsuhiro Matsumoto (Mar. 21, 1961 (61))</p> <p>Candidate for Outside Audit &amp; Supervisory Board Member</p> <p>Independent Audit &amp; Supervisory Board Member</p> <p>New election</p>	<p>Apr. 1983 Joined the National Police Agency (“NPA”)</p> <p>Oct. 2009 Chief, Fukushima Prefectural Police</p> <p>Apr. 2012 Director, Personnel Division, Commissioner-General’s Secretariat, NPA</p> <p>Apr. 2013 Director-General, Public Security Department, Tokyo Metropolitan Police</p> <p>Apr. 2014 Chief, Kanagawa Prefectural Police</p> <p>Aug. 2015 Director-General, Foreign Affairs and Intelligence Department, NPA</p> <p>Sep. 2016 Director-General, Security Bureau, NPA</p> <p>Jan. 2018 Director-General, Commissioner-General’s Secretariat, NPA</p> <p>Sep. 2018 Deputy Commissioner-General, NPA</p> <p>Jan. 2020 Commissioner-General, NPA</p> <p>Sep. 2021 Retired from NPA</p>
Number of Shares of the Company Held 0	
Material concurrent positions: None	
Reason for nomination as a candidate for Outside Audit & Supervisory Board Member	
<p>Mitsuhiro Matsumoto served in key leadership positions in the National Police Agency, and has a wealth of experience and a wide range of knowledge in such as public administrations, the operation of large organizations, domestic/international risk management.</p> <p>The Company has nominated him as a candidate for Outside Audit &amp; Supervisory Board Member, expecting him to assess the status of decision-making at Board of Directors and audit the execution of duties by the Company’s Directors from his expertise and objective standpoint using his insights based on the above experience and knowledge.</p>	
Note	
<ol style="list-style-type: none"> <li>1. There is no special interest between Mitsuhiro Matsumoto and the Company.</li> <li>2. Mitsuhiro Matsumoto satisfies the requirements for Independent Directors/Corporate Auditors as provided for by the Tokyo Stock Exchange and criteria for independence as Outside Audit &amp; Supervisory Board Members provided by the Company, and the Company has filed him as an Independent Corporate Auditor with the aforementioned stock exchange. If the election of Mitsuhiro Matsumoto is approved at the Meeting, he is to be designated as an Independent Corporate Auditor.</li> <li>3. With regard to liability for damages under Article 423, Paragraph 1 of the Companies Act, the Company has entered into an agreement with each Outside Audit &amp; Supervisory Board Member to limit his/her liability in accordance with the Articles of Incorporation in cases falling under the requirements defined in laws and ordinances (Liability Limitation Agreement), and the maximum amount of liabilities under such agreement is the minimum liability amount as provided by applicable laws and ordinances. If his election is approved at the Meeting, we will enter into the Liability Limitation Agreement with him on the same terms and conditions as other Audit &amp; Supervisory Board Members.</li> <li>4. The Company has entered into a directors and officers liability insurance policy with an insurance company. The insurance policy covers damages such as compensation for damages and litigation expenses to be borne by the insured in cases where an insured receives a claim for damages from a</li> </ol>	

shareholder, a third party, etc. However, the Company has taken measures to ensure that the appropriateness of execution of duties by officers is not impaired by establishing certain reasons for coverage exclusion, such as damages arising from performance of an illegal act with full knowledge of its illegality. The full amount of the insurance premiums is borne by the Company and Group companies in Japan and overseas. If his election is approved at the Meeting, the Company plans to newly include him as an insured under the insurance policy and renew the said policy in July 2022.

## (Reference) Expected Audit &amp; Supervisory Board structure after appointment (Plan)

Candidate	New election/ Re-election	Name (Age)	Independent/ Outside	Tenure	Number of Board of Directors' meetings attended Number of Audit & Supervisory Board meetings attended
-	-	Ryoichi Watanabe (63)		3 years	17/17 (100%) 15/15 (100%)
-	-	Kenji Sato (59)		3 years	17/17 (100%) 15/15 (100%)
1	Re-election	Yukiko Imazu (53)	Independent Outside	4 years	17/17 (100%) 15/15 (100%)
-	-	Masako Watanabe (60)	Independent Outside	1 year	10/10 (100%) 10/10 (100%)
2	New election	Mitsuhiro Matsumoto (61)	Independent Outside	-	-

## Note:

1. The term of office for Audit & Supervisory Board Members of the Company is four years. Ryoichi Watanabe and Kenji Sato were elected at the 14<sup>th</sup> Ordinary General Meeting of Shareholders held in June 2019. Masako Watanabe was elected at the 16<sup>th</sup> Ordinary General Meeting of Shareholders held in June 2021.
2. The ages of Audit & Supervisory Board Members and its Candidates are as of June 27, 2022.

**Fifth Proposal: Partial revision of Medium-term Performance-based Share Compensation to Directors, etc.**

1. Reasons for the proposal and rationale for said compensation

At the 16<sup>th</sup> Ordinary General Meeting of Shareholders held on June 21, 2021, the Company has gained approval to introduce a medium-term performance-based share compensation in the form of a trust-type and share-based compensation plan (the “Compensation Plan”), which has the nature of performance-based share compensation, as a new incentive plan for its Directors (excluding Outside Directors) (“Target Directors”) and Corporate Officers (collectively “Target Directors & Officers”).

The Compensation Plan is a share-based compensation plan, under which a trust established by the Company (the “Trust”) will acquire the Company’s shares using the money to be contributed by the Company, and the Company’s shares and money equivalent to the converted value of such shares (“Daiichi Sankyo’s Shares, etc.”) are delivered or paid (“Delivered” or “Delivery,” as the case may be) to Target Directors & Officers. from said Trust.

On this occasion, due to various causes and considering the circumstances that the Trust has not been established yet, as a part of the medium-term performance-based compensation, the Company requests approval that with justifiable reason, when it is not possible to establish the Trust, amend the trust agreement, make additional contribution to the Trust, or when Target Directors & Officers are non-resident of Japan, or with any other justifiable reason, that Delivery of Daiichi Sankyo’s Shares, etc. to Target Directors & Officers from the Trust is not possible, the Company may, as an alternative to Delivery of Daiichi Sankyo’s Shares, etc. from the Trust, make monetary payments of the amount reasonably calculated based on the number of Daiichi Sankyo’s Shares, etc. that should be Delivered in accordance with the Compensation Plan and share price, etc., to Target Directors & Officers. Amount and content of compensation under the Compensation Plan after revision is as stated in 2. below, and besides the below addition of 2.(8), there is no substantial change from the conditions approved at the 16<sup>th</sup> Ordinary General Meeting of Shareholders held on June 21, 2021. Upon approval of this proposal as proposed, the treatment based on the changed conditions shall be adopted on compensations from fiscal 2021.

Currently, there are five Target Directors under the Compensation Plan. Upon approval of the third Proposal “Election of nine (9) Directors” as originally proposed, the number of Target Directors will be five.

The purposes of introducing the medium-term performance-based share compensation are to further clarify the linkage between compensation for Target Directors & Officers and the value of Company’s shares, and raise their motivation of contributing to improve the Company’s business performance and corporate value over the medium to long term, as well as to promote sharing the same interests with shareholders, and the revision is designed to supplement its effectiveness as an incentive plan. In addition, the details of this proposal are considered necessary and reasonable as a compensation system in terms of the content of the Company’s Decision Policy regarding the Content of Individual Compensations of Directors (as stated on page 60 of the Business Report; the content will be revised as described at the end of this notice subject to the approval of this proposal) given factors such as the standard for calculating the amount of compensation, the level of its ratio to the total compensation to Directors, and the level of number of Directors eligible for the Compensation Plan. Furthermore, such details have been determined by comprehensively taking into account the Company’s business conditions and other various circumstances. Accordingly, the Company considers the contents to be appropriate.

The Company has submitted this proposal for approval after taking into consideration the result of deliberation by the Compensation Committee and Board of Directors on this revision.

## 2. Amount and contents of compensation under the revised Compensation Plan

## (1) Overview of the Compensation Plan

The details of the Compensation Plan are as described in (2) below and the following sections.

i) Individuals eligible for Delivery of Daiichi Sankyo's Shares, etc. under this proposal	<ul style="list-style-type: none"> <li>Directors (excluding Outside Directors) and Corporate Officers of the Company</li> </ul>
ii) Impact of the Company's shares covered by this proposal on the total number of issued shares	
Upper limit of money to be contributed by the Company (as described in (2) below)	<ul style="list-style-type: none"> <li>¥800 million per fiscal year multiplied by the number of target fiscal years in the Company's Medium-Term Management Plan (the "Target Period" in this proposal) (for the initial Target Period commencing from fiscal 2021, the upper limit shall be ¥4.0 billion for five fiscal years.)</li> </ul>
Maximum number of Daiichi Sankyo's Shares, etc. to be Delivered to Target Directors & Officers. from the Trust and method of acquisition of the Company's shares (as described in (2) and (3) below)	<ul style="list-style-type: none"> <li>500 thousand shares<sup>Note</sup> (maximum number of Daiichi Sankyo's Shares, etc. to be Delivered to Target Directors &amp; Officers. per fiscal year) multiplied by the number of fiscal years corresponding to the Target Period (for the initial Target Period commencing from fiscal 2021, the maximum number shall be 2.5 million shares for five fiscal years.)</li> <li>As shares of the Company will be acquired from the stock market, dilution will not occur.</li> </ul> <p>Note: The ratio of the number of the Company's shares per annum to the total number of issued shares (excluding treasury shares as of March 31, 2022) shall be approximately 0.03%.</p>
iii) Details of performance achievement conditions (as described in (3) below)	<ul style="list-style-type: none"> <li>Varies within the range between 0% and 200% according to the degree of achievement of targets of the Company's performance indices set forth in a medium-term business plan (for the initial Target Period commencing from fiscal 2021, revenue, core operating profit*<sup>1</sup> margin before deducting research and development expenses, ROE, progress of research and development, ESG indices and relative TSR*<sup>2</sup> shall be used.)</li> </ul>
iv) Timing of Delivery of Daiichi Sankyo's Shares, etc. to Target Directors & Officers. (as described in (4) below)	<ul style="list-style-type: none"> <li>After retirement</li> </ul>

\*<sup>1</sup> Core operating profit: As an indicator of ordinary profitability, "core operating profit" which excludes temporary gains and losses (other revenue and other expenses) from operating income is disclosed.

\*<sup>2</sup> TSR: Total Shareholder Returns

## (2) Upper limit of money to be contributed by the Company

The Target Period under the Compensation Plan shall be a series of fiscal years subject to a medium-term business plan set out by the Company. In the event that the period subject to a medium-term business plan is revised in response to changes in the external environment, the Target Period will be set in accordance with the revised period subject to the medium-term business plan.

In order to acquire the Company's shares to be Delivered to Target Directors & Officers., the Company will contribute money within the upper limit of ¥800 million per fiscal year (for the initial Target Period, the upper limit shall be ¥4.0 billion for five fiscal years) to establish a trust, wherein Target Directors & Officers. who meet the beneficiary requirements shall be beneficiaries, for the Target Period.

The Trust will acquire the Company's shares from the stock market using the money entrusted in accordance with the instructions of the trust administrator.

The Company will award points (as specified in (3) below) to Target Directors & Officers., and Daiichi Sankyo's Shares, etc. will be Delivered to Target Directors & Officers. from the Trust when they meet the beneficiary requirements.

The Trust may, at the expiration of the trust period of the Trust, be continued by amending the trust agreement and making additional contributions to the Trust, instead of establishing a new Trust. In that case, the trust period of the Trust will be extended in accordance with the Target Period. The Company will continue awarding points to Target Directors & Officers. during the extended trust period.

However, in the case of making such additional contributions, if there are any shares of the Company (excluding Daiichi Sankyo's Shares, etc. equivalent to the number of points awarded to Target Directors & Officers. that are yet to be Delivered) and money remaining in the trust property ("Residual Shares, etc.") at the final day of the trust period prior to the extension, the sum of the amounts of Residual Shares, etc. to be Delivered to Target Directors & Officers. and additional trust money to be contributed shall be within the amount obtained by multiplying the upper limit per fiscal year of ¥800 million by the number of fiscal years corresponding to the Target Period.

If neither amendment to the trust agreement nor additional contribution is made at the expiration of the trust period, no points will be awarded to Target Directors & Officers. thereafter. However, if Target Directors & Officers. who might meet the beneficiary requirements remain in office at that point in time, the trust period of Trust may be extended for up to ten years until such Target Directors & Officers. resign from their position and Delivery of the Company's shares is completed.

(3) Calculation method and maximum number of Daiichi Sankyo's Shares, etc. to be acquired by Target Directors & Officers.

The number of Daiichi Sankyo's Shares, etc. to be Delivered to Target Directors & Officers. shall be determined at a certain time every year based on Share Delivery Points calculated by multiplying the number of points accumulated over the Target Period, which are awarded according to their position, by the performance-based coefficient. The performance-based coefficient shall be determined within the range between 0% and 200% according to the degree of achievement of targets of the Company's performance indices set forth for the final fiscal year of the Target Period (for the initial Target Period, revenue, core operating profit margin before deducting research and development expenses, ROE, progress of research and development, ESG indices and relative TSR set forth in the medium-term business plan announced in fiscal 2021 are scheduled to be adopted), and one share in the Company per point shall be delivered.

During the trust period, if the Company performs a share split (including allotment of shares without contribution) or a reverse share split of its ordinary shares, or any other reason arises necessitating an adjustment to the number of points, the said number of points shall be reasonably adjusted as needed in accordance with the share split or reverse share split ratio.

The total number of Daiichi Sankyo's Shares, etc. to be Delivered to Target Directors & Officers. shall be up to the number obtained by multiplying the maximum number per fiscal year of 500 thousand shares by the number of fiscal years corresponding to the Target Period (for the initial Target Period, the maximum number shall be 2.5 million shares for five fiscal years). The maximum total number of Daiichi Sankyo's Shares, etc. to be Delivered to Directors has been set with reference to information such as the latest share price, in consideration of the upper limit of trust money as stated in (2) above.

(4) Timing of Delivery of Daiichi Sankyo's Shares, etc. to Target Directors & Officers.

Target Directors & Officers. who meet the beneficiary requirements shall, after their retirement, receive a Delivery of Daiichi Sankyo's Shares, etc. equivalent to the number of Share Delivery Points calculated in accordance with (3) above. At that time, said Target Directors & Officers. shall receive a delivery of the Company's shares in the number equivalent to 50% of such Share Delivery Points. Meanwhile, the Company's shares equivalent to the remaining points will be converted into cash within the Trust, and said Target Directors & Officers. shall receive a payment of money equivalent to the converted value of such shares.

If a Target Director, etc. were to die during the trust period, all the Company's shares in the number equivalent to the number of Share Delivery Points awarded up to that time will be converted into cash within the Trust, and an heir to said Target Director, etc. shall receive a payment of money equivalent to the converted value of such shares.

(5) Clawback provision

In the event that an Target Director, etc. is found to have committed a material accounting error or fraud in the financial indices that are the basis for calculating the performance-based compensation, or

caused the Company to record a significant impairment loss, the Company may demand said Target Director, etc. to partially or fully compensate the damage in amount obtained by multiplying the number of shares already delivered (including the number of shares sold to pay taxes) under the Compensation Plan by the closing price of the Company's share on the Tokyo Stock Exchange at the date on which the demand for return is notified.

(6) Voting rights related to the Company's shares

To ensure the neutrality of management, voting rights of the Company's shares held by the Trust shall not be exercised during the trust period.

(7) Other details of the Compensation Plan

Other details of the Compensation Plan shall be determined by Board of Directors each time the Trust is established, the trust agreement is amended or an additional contribution to the Trust is made.

(8) Treatment when it is not possible to establish the Trust

With justifiable reason, when it is not possible to establish the Trust, amend the trust agreement, make additional contribution to the Trust, or when Target Directors & Officers are non-resident of Japan, or with any other justifiable reason, that Delivery of Daiichi Sankyo'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 Daiichi Sankyo's Shares, etc. that should be Delivered in accordance with the Compensation Plan and share price, etc., to Target Directors & Officers.

[Attachment]

**Business Report for the 17<sup>th</sup> Fiscal Period**  
(From April 1, 2021 to March 31, 2022)

**1. Status of Daiichi Sankyo Group****(1) Progress and Results of Operations****1) Overview****Consolidated Financial Results**

(Millions of yen; all amounts have been rounded down to the nearest million yen.)

	Year ended March 31, 2021	Year ended March 31, 2022	YoY change
Revenue	962,516	1,044,892	82,375 8.6%
Cost of sales*	337,751	348,036	10,284 3.0%
Selling, general and administrative expenses*	318,468	352,125	33,656 10.6%
Research and development expenses*	227,442	254,124	26,682 11.7%
Core operating profit*	78,853	90,605	11,751 14.9%
Temporary income*	557	3,912	3,354 602.1%
Temporary expenses*	15,615	21,492	5,876 37.6%
Operating profit	63,795	73,025	9,230 14.5%
Profit before tax	74,124	73,516	-608 -0.8%
Profit attributable to owners of the Company	75,958	66,972	-8,985 -11.8%
Total comprehensive income	114,982	130,292	15,310 13.3%

\* Daiichi Sankyo Group is disclosing core operating profit, which excludes temporary income and expenses from operating profit, as an indicator of ordinary profitability. Temporary income and expenses include gains/losses on sale of non-current assets, gains/losses associated with business restructuring (excluding gains/losses on sales of developed products and products on the market), impairment losses on property, plant and equipment, intangible assets, and goodwill, compensation for damages or settlement, and non-recurring and large gains/losses.

This table shows the actual results of cost of sales, selling, general and administrative expenses, and research and development expenses, exclusive of temporary income and expenses. The adjustment table from operating profit to core operating profit is stated in the reference data.

&lt;Yen exchange rates for major currencies (average rate for year)&gt;

	Year ended March 31, 2021	Year ended March 31, 2022
USD/Yen	106.06	112.38
EUR/Yen	123.70	130.56

**a. Revenue**

- Revenue in the year ended March 31, 2022 (fiscal 2021) increased by ¥82.4 billion, or 8.6% year on year, to ¥1,044.9 billion.
- Revenue increased year on year due to the achieved growth with global mainstay products such as Lixiana (generic name: edoxaban) and Enhertu (generic name: trastuzumab deruxtecan, T-DXd/DS-8201) and others.
- The positive effect on revenue from foreign exchange was ¥28.7 billion in total.

**b. Core operating profit**

- Core operating profit increased by ¥11.8 billion, or 14.9% year on year, to ¥90.6 billion.
- Cost of sales increased only by ¥10.3 billion, or 3.0% year on year, to ¥348.0 billion due to an improvement in cost-to-sales ratio as a result of a change in the product mix, despite an increase in revenue.
- Selling, general and administrative expenses increased by ¥33.7 billion, or 10.6%, to ¥352.1 billion due to the cost increase by an increase in profit sharing with AstraZeneca pertaining to Enhertu.
- Research and development expenses increased by ¥26.7 billion, or 11.7%, to ¥254.1 billion, mainly due to increased R&D investment in 3ADCs (trastuzumab deruxtecan, datopotamab deruxtecan: Dato-DXd/DS-1062 and patritumab deruxtecan: HER3-DXd/U3-1402).
- The positive effect on core operating profit from foreign exchange was ¥3.9 billion in total.

**c. Operating profit**

- Operating profit increased by ¥9.2 billion, or 14.5% year on year, to ¥73.0 billion.
- The amount of increase in operating profit decreased compared to core operating profit due to increased temporary expenses by the record of the environmental measures costs of the former Yasugawa factory and others.

**d. Profit before tax**

- Profit before tax decreased by ¥0.6 billion, or 0.8% year on year, to ¥73.5 billion.

**e. Profit attributable to owners of the Company**

- Profit attributable to owners of the Company decreased by ¥9.0 billion, or 11.8% year on year, to ¥67.0 billion.
- Because deferred tax assets increased due to increased future taxable income amount, income taxes accounted negative in the previous fiscal year. As a result of the increase of income taxes rate compared to the previous fiscal year by this effect etc., profit decrease rate was higher than profit before tax.

**f. Total comprehensive income**

- Total comprehensive income increased by ¥15.3 billion, or 13.3% year on year, to ¥130.3 billion.
- Total comprehensive income increased due to improvement in the currency translation difference pertaining to net assets of overseas subsidiaries, despite a worsening in the valuation difference on financial assets.

**[Revenue by Business Unit]**

Revenue by business unit in the fiscal 2021 is as follows. In addition, revenue by product is stated in the reference data.

**a. Japan Business Unit**

- Revenue from Japan Business Unit includes revenue generated by the innovative pharmaceuticals business, the vaccine business and revenue from products generated by the generic pharmaceutical business of Daiichi Sankyo Espha Co., Ltd.
- Revenue from the Unit was ¥489.5 billion, approximately the same level as the previous fiscal year due to growth in sales of Lixiana, Tarlige, Enhertu, Emgality and others, despite the impact of NHI drug price revision, decline in sales of Nexium which was terminated co-promotion and decline in sales of Memory caused by generic entries following the loss of exclusivity, and others.

The following describes the major progress in the fiscal 2021.

- In April 2021, the migraine prevention drug Emgality was launched.



- In May 2021, adalimumab biosimilar, a fully human anti-TNF- $\alpha$  monoclonal antibody, was launched.
- In August 2021, a supplemental application was approved for partial changes in usage and dosage for Lixiana tablets 15 mg and Lixiana OD tablets 15 mg.
- In August 2021, a collaborative agreement was concluded to commercialize REYVOW in Japan for the treatment of migraines.
- In November 2021, Delytact oncolytic virus G47 $\Delta$  was launched.
- In December 2021, a supplemental application was approved for partial changes in usage and dosage for antiplatelet agents Efient 3.75 mg Tablets and Efient 2.5 mg Tablets.
- In January, 2022, approval was gained for manufacturing and marketing of REYVOW for the treatment of migraines\*<sup>1</sup>.
- In March 2022, a supplemental application was approved for partial changes in indication for pain treatment Tarlige.

\*<sup>1</sup>The approval was gained by Eli Lilly Japan K. K., with whom Daiichi Sankyo concluded a reverse co-promotion agreement.

**b. Daiichi Sankyo Healthcare Unit**

- Revenue from Daiichi Sankyo Healthcare Unit decreased by ¥2.5 billion, or 3.7% year on year, to ¥64.7 billion caused by decline in sales of the drugs for common cold such as Lulu.

**c. Oncology Business Unit**

- Revenue from Oncology Business Unit includes revenue from products generated by Daiichi Sankyo, Inc. (the U.S.) and revenue generated from cancer treatment products sold by Daiichi Sankyo Europe GmbH.
- Revenue from the Unit increased by ¥22.2 billion, or 46.9% year on year, to ¥69.6 billion due to increase of Enhertu in the U.S. and Europe. Revenue in local currency terms increased by US\$173 million, or 38.7%, to US\$619 million.

**d. American Regent Unit**

- Revenue from American Regent Unit increased by ¥27.7 billion, or 22.8% year on year, to ¥149.5 billion due to an increase in sales of Injectafer and others affected by the spread of COVID-19 in the previous fiscal year. Revenue in local currency terms increased by US\$182 million, or 15.9%, to US\$1,330 million.

**e. EU Specialty Business Unit**

- Revenue from EU Specialty Business Unit includes revenue from products other than from cancer treatment products generated by Daiichi Sankyo Europe GmbH.
- Revenue from the Unit increased by ¥16.6 billion, or 14.9% year on year, to ¥128.2 billion due to steady growth in sales of Lixiana. Revenue in local currency terms increased by EUR80 million, or 8.8%, to EUR982 million.

**f. ASCA Business Unit**

- Revenue from ASCA\*<sup>2</sup> Business Unit includes sales to overseas licensees.
- Revenue from the Unit increased by ¥14.5 billion, or 14.5% year on year, to ¥114.1 billion due to sales increase of olmesartan and others in China.

The following describes the major progress in the fiscal 2021.

- In April 2021, Esperion's bempedoic acid, the hypercholesterolemia treatment, was licensed in for Asia and South America.
- In March 2022, an agreement was concluded to transfer the rights to manufacture and commercialize Cravit preparations in China and all of our equity interest in Daiichi Sankyo Pharmaceutical (Beijing) Co., Ltd. to YaoPharma Co., Ltd.

\*<sup>2</sup> Asia, South & Central America

**2) Status of R&D**

- Daiichi Sankyo Group (hereinafter, "the Group") is working on research and development including active collaboration with the outside in accordance with the "3 and Alpha" Strategy, which intensively

allocates resources to 3ADCs<sup>\*1</sup> for maximizing their product values, and aims to deliver medicines that change SOC<sup>\*2</sup> for realization of sustainable growth (Alpha). In addition, the Group focuses on accelerating global clinical development.

- In the medium to long term, the Group aims to develop therapeutic drugs for various diseases in addition to oncology by utilizing its competitive science and technology, and strives to strengthen drug discovering capabilities by technology research of new modalities<sup>\*3</sup>.

<sup>\*1</sup> Antibody Drug Conjugate: Drug composed of an antibody drug and a payload (a small molecule drug) linked via appropriate linker. By using a monoclonal antibody that binds to a specific target expressed on cancer cells, a cytotoxic payload is delivered to cancer cells effectively with reducing systemic exposure.

<sup>\*2</sup> Standard of Care: Universally applied best treatment practice in today's medical science.

<sup>\*3</sup> New medical treatment such as ADC, nucleic acid drugs, viruses for treatment, and cell therapy.

### **【3ADCs】**

The following describes the Group's clinical development of 3ADCs projects in the fiscal 2021. The status of each clinical trial is stated in the reference data.

#### **a. Trastuzumab deruxtecan (T-DXd/DS-8201: HER2-directed ADC, brand name: Enhertu)**

- The product is marketed under the brand name Enhertu. Daiichi Sankyo is jointly developing Enhertu with AstraZeneca UK Limited, a company with a wealth of global experience in oncology.

The following describes the major progress in the fiscal 2021.

- In June 2021, data was presented at the 2021 American Society of Clinical Oncology (ASCO) from the Phase Ib/II clinical trial for patients with triple negative breast cancer (TNBC) (trial name: BEGONIA) and the Phase II clinical trial for the third line treatment for patients with HER2 expressing colorectal cancer (trial name: DESTINY-CRC01).
- In June 2021, a Phase III clinical trial for the first line treatment for patients with HER2-positive breast cancer (trial name: DESTINY-Breast09) was initiated.
- In June 2021, the top line results (the outline of trial results) of the Phase II clinical trial for the second line treatment for patients with HER2-positive gastric cancer (trial name: DESTINY-Gastric02) were obtained.
- In June 2021, the top line results of the Phase II clinical trial for the second or later line treatment for patients with HER2-overexpressing or HER2 mutant, non-small cell lung cancer (NSCLC) (trial name: DESTINY-Lung01) were obtained.
- In July 2021, a Phase III clinical trial for the second line treatment for patients with HER2-positive gastric cancer (trial name: DESTINY-Gastric04) was initiated.
- In August 2021, the primary endpoint in interim analysis of the Phase III clinical trial for the second line treatment for patients with HER2-positive breast cancer (trial name: DESTINY-Breast03) was achieved, and Real-Time Oncology Review (RTOR<sup>\*4</sup>) designation was obtained from the U.S. Food and Drug Administration (FDA).
- In September 2021, a Phase II clinical trial for the third line treatment for patients with HER2-positive gastric cancer (trial name: DESTINY-Gastric06) was initiated in China.
- In September 2021, data was presented at the European Society for Medical Oncology Congress 2021 (ESMO Congress 2021) from the Phase II clinical trial for the third line treatment for patients with HER2-positive breast cancer (trial name: DESTINY-Breast01), the DESTINY-Breast03 clinical trial, the DESTINY-Gastric02 clinical trial, and the DESTINY-Lung01 clinical trial.
- In October 2021, Breakthrough Therapy Designation<sup>\*5</sup> was obtained from the FDA for the second or later line treatment for patients with HER2-positive breast cancer.
- In November 2021, the Type II Variation application for the second line treatment for patients with HER2-positive gastric cancer was validated by the European Medicines Agency (EMA).
- In November 2021, a Phase III clinical trial for neoadjuvant therapy for patients with HER2-positive early-stage breast cancer (trial name: DESTINY-Breast11) was initiated.
- In December 2021, the analysis results of the DESTINY-Breast03 clinical trial for patient subgroups with brain metastases were presented at the 2021 San Antonio Breast Cancer Symposium (#SABCS2021) in the U.S.
- In December 2021, a supplemental new drug application was submitted in Japan and the Type II Variation application was validated by the EMA for the second line treatment for patients with HER2-positive breast cancer.

- In December 2021, a Phase III clinical trial for the first line treatment for patients with HER2 mutant NSCLC (trial name: DESTINY-Lung04) was initiated.
- In January 2022, a supplemental new drug application was accepted in the U.S. for the second line treatment for patients with HER2-positive breast cancer.
- In February 2022, the primary endpoint of the Phase III clinical trial for patients with HER2 low expressing metastatic breast cancer (trial name: DESTINY-Breast04) was achieved.
- In March 2022, the application for approval was accepted in China for the second line treatment for patients with HER2-positive breast cancer.

<sup>\*4</sup>The Real-Time Oncology Review (RTOR) program aims to explore a more efficient review process to ensure that safe and effective treatments are available to patients as early as possible. Under the program, the FDA allows for accelerated screening of large amounts of data prior to an applicant formally submitting the complete application.

<sup>\*5</sup>The Breakthrough Therapy Designation is designed to expedite the development and review of medicines that may demonstrate substantial benefit over currently available treatments in order to ensure that patients with serious diseases have access to new treatments as soon as possible.

**b. Datopotamab deruxtecan (Dato-DXd/DS-1062: TROP2-directed ADC)**

- Daiichi Sankyo is jointly developing the product with AstraZeneca UK Limited, a company with a wealth of global experience in oncology.

The following describes the major progress in the fiscal 2021.

- In May 2021, data was presented at the European Society for Medical Oncology Breast Cancer Virtual Congress 2021 (ESMO Breast Cancer 2021) for TNBC patients in the Phase I clinical trial for solid tumors (trial name: TROPION-PanTumor01).
- In June 2021, data was presented at the 2021 American Society of Clinical Oncology (ASCO) for NSCLC patients in the TROPION-PanTumor01 clinical trial.
- In September 2021, data was presented at the 2021 World Conference on Lung Cancer (WCLC) and the European Society for Medical Oncology Congress 2021 (ESMO Congress 2021) for NSCLC patients in the TROPION-PanTumor01 clinical trial.
- In October 2021, an agreement was entered into with Merck & Co., Inc. to conduct a Phase III clinical trial for the first line treatment for NSCLC patients to evaluate the combination with pembrolizumab, the immune checkpoint inhibitor (trial name: TROPION-Lung08).
- In November 2021, a Phase III clinical trial for the second line treatment for patients with hormone receptor-positive, HER2-negative metastatic breast cancer (trial name: TROPION-Breast01) was initiated.
- In December 2021, data was presented at the 2021 San Antonio Breast Cancer Symposium (#SABCS2021) in the U.S. for TNBC patients in the TROPION-PanTumor01 clinical trial.
- In March 2022, the TROPION-Lung08 clinical trial was initiated.

**c. Patritumab deruxtecan (HER3-DXd/U3-1402: HER3-directed ADC)**

The following describes the major progress in the fiscal 2021.

- In June 2021, data was presented at the 2021 American Society of Clinical Oncology (ASCO) from the Phase I clinical trial for patients with epidermal growth factor receptor (EGFR)-mutated NSCLC.
- In June 2021, a Phase I clinical trial was initiated to evaluate the combination with osimertinib, a tyrosine kinase inhibitor, in patients with EGFR-mutated NSCLC.
- In December 2021, Breakthrough Therapy Designation was obtained from the FDA for patients with metastatic EGFR-mutated NSCLC.

**【Alpha】**

The following describes the major progress in clinical development of Alpha projects in the fiscal 2021. The status of each clinical trial is stated in the reference data.

- In April 2021, a Phase I/II clinical trial for DS-1594 (Menin-MLL interaction inhibitor) was initiated for patients with acute myeloid leukemia (AML) and acute lymphocytic leukemia.
- In April 2021, a Phase II clinical trial for pexidartinib (PLX3397: CSF-1R inhibitor, brand name in the U.S.: Turalio) was initiated in Japan for patients with tenosynovial giant cell tumor.
- In April 2021, a Phase I clinical trial for DS-6016 (anti-ALK2 antibody) was initiated for patients with

fibrodysplasia ossificans progressiva.

- In May 2021, a supplemental new drug application was submitted for the pain agent mirogabalin (DS-5565:  $\alpha 2\delta$  ligand, brand name: Tarlige) for an additional indication related to central neuropathic pain in Japan.
- In June 2021, approval for manufacturing and marketing in Japan was received for the oncolytic virus teserpaturev (DS-1647: G47 $\Delta$ , brand name: Delytact).
- In June 2021, data was presented at the annual congress of the European Hematology Association (EHA) from the Phase I clinical trial of valemestostat (DS-3201: EZH1/2 dual inhibitor) for patients with non-Hodgkin lymphoma.
- In June 2021, a Phase II clinical trial of valemestostat was initiated for patients with relapsed/refractory peripheral T-cell lymphoma (PTCL) and adult T-cell leukemia-lymphoma (ATL) (trial name: VALENTINE-PTCL01).
- In June 2021, a Phase I clinical trial for VN-0200 (RS virus vaccine) was initiated with healthy Japanese adults including elderly individuals.
- In August 2021, the primary endpoint of the ENVISAGE-TAVI AF clinical trial involving the anticoagulant edoxaban (brand name: Lixiana) for patients with atrial fibrillation (AF) who have undergone transcatheter aortic valve implantation (TAVI) was achieved, and results were presented at the European Society of Cardiology Congress 2021 (ESC Congress 2021).
- In September 2021, data was presented at the European Society for Medical Oncology Congress 2021 (ESMO Congress 2021) from the Phase I/II clinical trial of DS-7300 (B7-H3-directed ADC) for solid tumors.
- In November 2021, the primary endpoint of the Phase III clinical trial of quizartinib (AC220: FLT3 inhibitor, brand name in Japan: Vanflyta) for the first line treatment for patients with AML (trial name: QuANTUM-First) was achieved.
- In December 2021, data was presented at the meeting of the American Society of Hematology (ASH) from the Phase II clinical trial of valemestostat in Japan for relapsed/refractory ATL patients for the treatment of ATL, Orphan Drug Designation<sup>\*6</sup> was obtained from Japan's Ministry of Health, Labour and Welfare (MHLW), and an application for manufacturing and marketing in Japan was submitted.
- In December 2021, Orphan Drug Designation<sup>\*7</sup> for valemestostat was obtained from the FDA for the treatment of PTCL.
- In February 2022, a Phase I clinical trial for DS-7011 (anti-TLR7 antibody) was initiated for patients with systemic lupus erythematosus.

<sup>\*6</sup> A system under which designation is granted in order to support and expedite development under the conditions that there are fewer than 50,000 patients in Japan and there is a particularly high medical need for it.

<sup>\*7</sup> A system under which designation is granted in order to support and expedite development for medicines intended for the treatment, diagnosis or prevention of rare diseases or disorders that affect fewer than 200,000 people in the U.S.

### **【Other】**

In March 2022, in order to further strengthen R&D capabilities for sustainable growth, Daiichi Sankyo optimized resource allocation by the termination of the R&D function of Plexxikon Inc..

### **3) Efforts to Address the Novel Coronavirus Infection**

- Daiichi Sankyo is proactively involved in the establishment of prevention and treatment methods in the fight against COVID-19, for which there is an urgent global social need. The Company is leveraging our research properties, technologies and knowledge to the maximum extent, and through partnerships with other organizations, we are proceeding with the following R&D.

#### **a. DS-5670 (COVID-19 mRNA vaccine)**

- For the prevention of COVID-19, the Company is currently participating in “Fundamental Research on the Control of the Novel Coronavirus (2019-nCoV<sup>\*1</sup>),”<sup>\*2</sup> an initiative supported by the Japan Agency for Medical Research and Development (hereinafter, AMED). In addition, using novel nucleic acid delivery technology<sup>\*3</sup> developed in-house, the Company is taking part in a basic research project on a genetic (mRNA) vaccine with the title “Development of a Genetic Vaccine for 2019-nCoV.”
- The Company has been selected by the MHLW to be a provider for the Japanese Government's “Emergent Initiative to Build Production Capacity for COVID-19 Vaccines<sup>\*4</sup> (First Round)” as well as

by AMED to be a company for the AMED's Drug Discovery Support Program "Development of COVID-19 Vaccines"<sup>\*5</sup> (Second Round)."

- The Company is conducting clinical trials in Japan with healthy adults including elderly individuals.

<sup>\*1</sup> 2019-nCoV is synonymous with SARS-CoV-2.

<sup>\*2</sup> A vaccine development initiative determined for support by AMED under urgent government-wide efforts against the worldwide spread of COVID-19.

<sup>\*3</sup> Technology focusing on forming lipid nanoparticle structures, stabilizing pharmaceutical active ingredients and delivering nucleic acids into immune cells. Compared to conventional vaccine technology, it has demonstrated to induce a more optimal immune response.

<sup>\*4</sup> The project aims to swiftly develop an actual (large-scale) production system for biologics, including vaccines, in order to ensure that the vaccines necessary for the prevention of the spread and severity of unexpected epidemics, including COVID-19, are produced as soon as possible, and that their supply is secured for the Japanese people.

<sup>\*5</sup> The project aims to support the development of a vaccine against COVID-19, for which R&D is already underway, and aims to ensure the early commercialization of safe and effective vaccines.

The following describes the major progress in the fiscal 2021.

- In November 2021, a Phase II clinical trial was initiated using a batch of DS-5670 from the optimized manufacturing process to evaluate the safety and determine the recommended dose of DS-5670.
- In January 2022, Phase I/II/III trials in Japan were initiated for healthy adults including elderly individuals who completed initial doses (1st and 2nd doses) of vaccinations for COVID-19 approved in Japan and more than 6 months have elapsed since the vaccinations.

#### **b. DS-2319 (Nafamostat inhalation formulation)**

- Daiichi Sankyo was carrying out a collaborative R&D on nafamostat inhalation formulation for the treatment of COVID-19 with the University of Tokyo, RIKEN, and Nichi-Iko Pharmaceutical Co., Ltd.

The following describes the major progress in the fiscal 2021.

- In June 2021, the Company decided to discontinue the development of DS-2319 as a result of examining the data of ongoing nonclinical studies and Phase I clinical trial.

#### **c. Supply of AstraZeneca's novel coronavirus vaccine, Vaxzevria**

- Based on the agreement which Daiichi Sankyo entered into with AstraZeneca K.K. to manufacture the vaccine, Daiichi Sankyo Biotech Co., Ltd., a subsidiary of the Company, has been manufacturing the vaccine (including vial filling and packaging, etc.) since March 2021.

The following describes the major progress in the fiscal 2021.

- In June 2021, through the Japanese government, Vaxzevria was supplied to Southeast Asia and other regions.

### **(2) Status of Plant and Equipment Investment**

- The Group continuously invests in plants and equipment, aiming to enhance and streamline production facilities as well as strengthen and facilitate research and development. During the fiscal year under review, the Group spent ¥56.2 billion on plants and equipment.

### **(3) Status of Financing**

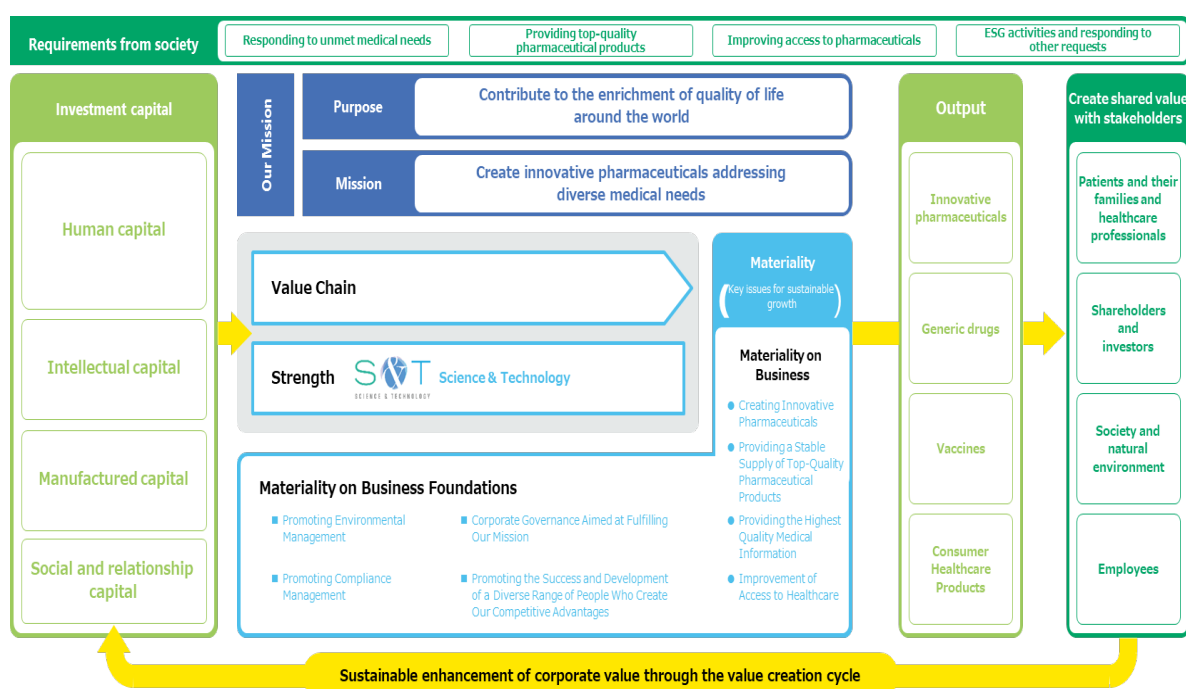
- Not applicable.

#### (4) Prospective Challenges

##### 1) Daiichi Sankyo's Value Creation Process and ESG Management

- The Group defines ESG management as “management based on a long-term perspective that enhances both financial and non-financial value by reflecting ESG elements in business strategies,” and we are implementing this management.
- To meet society’s diverse requirements, we invest a variety of internal and external management resources into the value creation process and provide value to each stakeholder and society with “Science and Technology” as our greatest source of competitive advantage. By circulating the value creation process, we believe to be able to achieve both sustainable growth of the Company, and of society as a whole.
- Considering the two aspects of impact on medium- to long-term corporate value and expectations from society, including various stakeholders, we identified eight (8) key issues as our materiality, which we have categorized as materiality on business and materiality on business foundation.

#### Daiichi Sankyo's Value Creation Process



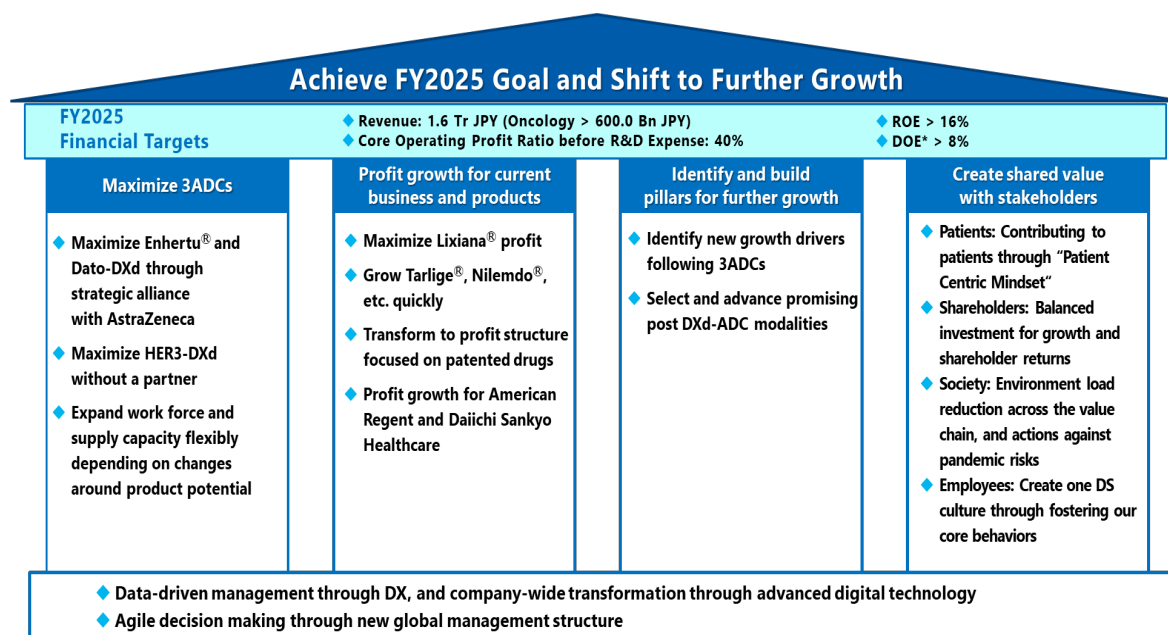
##### 2) 2030 Vision

- Under ESG management, we newly established our 2030 Vision of being an “innovative global healthcare company contributing to the sustainable development of society.”
- To realize our “Purpose,” which is to “contribute to the enrichment of quality of life around the world,” we aim to address the social issues expected of the Company by society through our business activities, such as the creation of innovative pharmaceuticals and efforts for achieving the SDGs. We challenge ourselves to continuously provide innovative solutions based on our strength: Science & Technology.

##### 3) 5-year Business Plan (Fiscal 2021 to Fiscal 2025)

- We have established 5-year business plan (fiscal 2021 to fiscal 2025) and four (4) strategic pillars as a plan to achieve our Fiscal 2025 Goal, “Global Pharma Innovator with Competitive Advantage in Oncology” and shift to further growth toward realizing our 2030 Vision, while conducting ESG management.

## Strategic Pillars for the 5-year Business Plan (FY2021-FY2025)



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

### 【Four Strategic Pillars】

#### a. Maximize 3ADCs

- In the 5-year business plan, maximizing 3ADCs (Enhertu, Dato-DXd and HER3-DXd) is our most important materiality.
- With regard to Enhertu, we will accelerate market penetration and acquisition of new indications through our strategic collaboration with AstraZeneca UK Limited. In addition, we will establish advantage over competitive products for HER2, and will firmly establish HER2 low expression concept for the treatment of breast cancer.
- As for Dato-DXd, our target is to obtain approval and additional indications as quickly as possible through the strategic collaboration with AstraZeneca UK Limited. Moreover, we will establish and implement an effective launch plan, and establish advantages over competitive products for TROP2.
- For HER3-DXd, we will launch as fast as possible through our in-house development. After having developed and implemented an effective launch plan, we will establish HER3 as a cancer treatment target.
- In addition to these efforts, we will promote appropriate use of the product through interstitial lung disease (ILD) monitoring and risk analysis, and efficiently and gradually expand the work force and supply capacity depending on changes around the product potential.
- In the fiscal 2021, Enhertu product sales grew steadily as its share of new patients in target markets expanded in Japan, the US, and Europe. In addition, data showing unprecedented improvement in progression-free survival was obtained in the DESTINY-Breast03 clinical trial for the second line treatment for patients with HER2-positive breast cancer, and applications were filed in Japan, the US, Europe, and China for approval. Also, the primary endpoint was achieved in the DESTINY-Breast04 clinical trial for patients with HER2 low expressing metastatic breast cancer previously treated with chemotherapy, and our efforts to maximize product value have made significant progress. For Dato-DXd and HER3-DXd, we accelerated development as we believe it is important to enter the market at an early stage. We will continue to make steady efforts to maximize 3ADCs so that effective development investment in 3ADCs will lead to dramatic growth in the latter half of the 5-year business plan.

#### b. Profit Growth for Current Business and Products

- Profit growth for current business and products in addition to the oncology business will also be an important challenge as we continue to invest for sustainable growth.
- Lixiana is a highly profitable product that generates a stable profit, so we will work to further expand

- revenue from this product to use it as a source of investment in 3ADCs and post-3ADC growth drivers.
- For new products such as Tarlige and Nilemdo, we aim to achieve quick growth through additional indications and so forth. Through realizing early growth for these new products, in addition to Lixiana, we aim to achieve sustainable growth in our businesses for newly patented products outside of oncology as well.
  - In each region, we aim to transform ourselves into a business structure that supports sustainable profit growth through transformation to patented product-based profit structure.
  - At American Regent, Inc., we aim to grow profits mainly through Injectafer and generic injectable products. At Daiichi Sankyo Healthcare Co., Ltd., we aim to grow profits primarily through expanding Japanese domestic in-store sales and online business.
  - In the fiscal 2021, sales of Lixiana, Injectafer, Tarlige, Nilemdo, and other products grew steadily. In addition, in order to transform the business structure, we concluded agreements to transfer the rights to manufacture and commercialize conventional products in the US, marketing authorization of Cravit preparations in China, and all of our equity interest in Daiichi Sankyo Pharmaceutical (Beijing) Co., Ltd. outside the Group. Going forward, we will continue to expand sales of highly profitable products in order to transform the business structure to one that supports sustainable profit growth.

#### **c. Identify and Build Pillars for Further Growth**

- In order to achieve sustainable growth, it is important that we identify post-3ADC growth drivers and select and advance post-DXd-ADC modalities through a multi-modality research strategy.
- We will identify post-3ADC growth drivers from fields such as the DXd-ADC family, second-generation and new-concept ADC, modified antibodies, and the ENA<sup>®</sup> family<sup>\*1</sup>.
- We will identify post-DXd-ADC modalities for sustainable growth from various modality technologies. Regarding LNP-mRNA, we will utilize it also in vaccines other than those for COVID-19 infections to drive the growth of the vaccine business.
- In the fiscal 2021, we obtained positive data regarding DS-7300 and DS-6000, so we positioned it as “Rising Stars” and are promoting its development. Going forward, we will continue to identify and build pillars of further growth using our proprietary ADC technology.

<sup>\*1</sup> 2'-O,4'-C-Ethylene-bridged Nucleic Acids: It is a modified nucleic acid using Daiichi Sankyo's proprietary technology.

#### **d. Create Shared Value with Stakeholders**

- To promote ESG management from a long-term perspective, it is also important to create shared value with stakeholders, namely, patients, shareholders, society, environment, and employees.
- As we expand 3ADCs to various types of cancer and target more rare diseases, we will strengthen our initiatives under a patient centric mindset and contribute to patients, not only in pharmaceutical development but across the entire value chain.
- We will implement well-balanced investment for growth, and shareholder returns to sustainably increase the value of the Company.
- For social and environmental challenges such as decarbonization society, circular economy and a society in harmony with nature, we will implement various initiatives to reduce environmental impact throughout the value chain from research and development to sales, and contribute to society and the environment.
- In addition to our stable supply in ordinary times of seasonal influenza and other vaccines from in-house manufacturing sites, we will contribute to society by establishing technologies that can be applied to vaccines for COVID-19 as well as emerging/re-emerging infectious diseases and establishing a vaccine supply system for future pandemics.
- By determining the Group's common core behaviors, which form its common core across the entire Group, we will cultivate a unique corporate culture, “One DS Culture,” and further enhance the strengths of our global organization and human resources.
- We have been promoting COMPASS activities<sup>\*2</sup> for some time, and in the fiscal 2021, we decided to share information on these activities with all employees in Japan in order to further strengthen the “Patient Centric Mindset” so that they will be aware of patients in their daily work and have an opportunity to better appreciate the patients' feelings. In addition, as part of our efforts to address environmental issues as a member of society, we joined “RE100<sup>\*3</sup>”, a global initiative that aims to use 100% renewable energy for electricity consumed in business activities. We will continue to implement a variety of measures to strengthen the value creation process with stakeholders, including the



permeation of “Patient Centric Mindset” and “One DS Culture.”

\*2 “Compassion for Patients” Strategy activities. Based on our slogan “Compassion for Patients,” these are internal and external activities where we create and provide opportunities for direct interaction between patients and healthcare professionals with our employees, with the aim of contributing to the realization of “daily living with a smile” for people around the world.

\*3 A global initiative to promote 100% corporate renewable energy, run by the Climate Group, an international environmental NGO, in partnership with CDP, which encourages companies to disclose information about their climate change initiatives.

#### **【Platform for Supporting Strategy Execution】**

- To strengthen our platform for supporting the execution of our four strategic pillars, we will implement data-driven management by advancing digital transformation and advance company transformation with cutting-edge digital technology. In addition, we will realize agile decision-making through our new global management structure.
- In the fiscal 2021, we began global operation of an analytical platform that enables integrated data analysis of Enhertu inside and outside the Company. In addition, the Oncology Business Unit was newly established to promptly respond to rapid changes in treatment systems and the market environment in the field of oncology from both business and scientific perspectives. Going forward, we will accelerate data-driven management and continue to strengthen our global structure in line with changes and expansion of our business operations.

#### **【Shareholder Return Policy】**

- In addition to maintaining the ordinary dividend of ¥27 per share, we will increase dividend that takes account of our profit growth. We will also flexibly acquire treasury shares and will enhance shareholder returns.
- We have adopted dividend on equity<sup>\*4</sup> (DOE) based on shareholders’ equity as a KPI in line with our policy of providing stable returns to shareholders. Going forward, we aim to maximize shareholder value, with a target for DOE of 8% or more in fiscal 2025, exceeding the cost of shareholders’ equity.
- In the fiscal 2021, the Company paid an interim dividend of ¥13.5 per share. Together with the tentative year-end dividend of ¥13.5, the Company plans to pay total annual dividend of ¥27 per share. In April 2021, we cancelled 180 million treasury shares. DOE for the fiscal 2021 is 3.9%, and we will continue to aim for DOE of 8% or more in fiscal 2025.

\*4 Dividend on equity = Total dividend amount / Equity attributable to owners of the Company

#### **【Fiscal 2025 Financial Targets】**

Revenue: ¥1.6 trillion (Oncology: ¥600.0 billion or more)
Core operating profit Operating profit ratio before research and development expenses: 40% or more
ROE: 16% or more
DOE: 8% or more
Assumption of exchange rate for fiscal 2025: 1USD=¥105, 1EUR = ¥120

**(5) Transition of Status of the Assets and Profit and Losses**

(Millions of yen, unless otherwise stated)

Category	Year ended March 31, 2018 (13 <sup>th</sup> fiscal period)	Year ended March 31, 2019 (14 <sup>th</sup> fiscal period)	Year ended March 31, 2020 (15 <sup>th</sup> fiscal period)	Year ended March 31, 2021 (16 <sup>th</sup> fiscal period)	Year ended March 31, 2022 (Current fiscal year; 17 <sup>th</sup> fiscal period)
Revenue	960,195	929,717	981,793	962,516	1,044,892
Operating profit	76,282	83,705	138,800	63,795	73,025
Profit before tax	81,021	85,831	141,164	74,124	73,516
Profit attributable to owners of the Company	60,282	93,409	129,074	75,958	66,972
Basic earnings per share (yen)	30.44	48.07	66.40	39.17	34.94
Return on equity attributable to owners of the Company (ROE) (%)	5.2	7.8	10.1	5.9	5.1
Annual dividend per share (yen)	70	70	70	27	27
Total assets	1,897,754	2,088,051	2,105,619	2,085,178	2,221,402
Equity attributable to owners of the Company	1,132,982	1,249,642	1,305,809	1,272,053	1,350,872

- Notes: 1. Basic earnings per share is calculated based on the average number of shares outstanding during the year, exclusive of the number of treasury shares.
2. Effective as of October 1, 2020, the Company implemented a three-for-one share split of its ordinary shares. Basic earnings per share is calculated as if the share split had taken place at the beginning of the year ended March 31, 2018.
3. Annual dividend per share is calculated as if the share split had taken place at the beginning of the year ended March 31, 2021.

**(6) Principal Business**

Research and development, manufacturing, marketing, and import and export of pharmaceuticals.

**(7) Status of Material Subsidiaries, etc.****1) Status of Material Subsidiaries**

The Group consists of Daiichi Sankyo Company, Limited, its 49 subsidiaries and its two associates, a total of 52 companies. Material subsidiaries are as follows:

Name of Group Company	Stated Capital (Millions of yen, unless otherwise stated)	Voting Rights Percentage (%)	Principal Business
Daiichi Sankyo Espha Co., Ltd.	450	100.00	Research and development and marketing of pharmaceuticals
Daiichi Sankyo Healthcare Co., Ltd.	100	100.00	Research and development, manufacture and marketing of healthcare (OTC) products
Daiichi Sankyo Propharma Co., Ltd.	100	100.00	Manufacture of pharmaceuticals
Daiichi Sankyo Chemical Pharma Co., Ltd.	50	100.00	Manufacture of pharmaceuticals
Daiichi Sankyo Biotech Co., Ltd.	50	100.00	Manufacture of vaccines, biologics, investigational drugs, etc.
Daiichi Sankyo RD Novare Co., Ltd.	50	100.00	Support for research and development of the Group
Daiichi Sankyo Business Associe Co., Ltd.	50	100.00	Business support for the Group
Daiichi Sankyo U.S. Holdings, Inc.	3.0 U.S. dollars	100.00	A holding company
Daiichi Sankyo, Inc.	0.17 million U.S. dollars	100.00	Research and development and marketing of pharmaceuticals
American Regent, Inc.	0.20 million U.S. dollars	100.00	Research and development, manufacture and marketing of pharmaceuticals
Daiichi Sankyo Europe GmbH	16 million euro	100.00	Supervision of the Daiichi Sankyo EUROPE Group, and research and development, manufacture and marketing of pharmaceuticals
Daiichi Sankyo (China) Holdings Co., Ltd.	146 million U.S. dollars	100.00	Research and development and marketing of pharmaceuticals
Daiichi Sankyo Pharmaceutical (Beijing) Co., Ltd.	83 million U.S. dollars	100.00	Research and development, manufacture and marketing of pharmaceuticals
Daiichi Sankyo Pharmaceutical (Shanghai) Co., Ltd.	53 million U.S. dollars	100.00	Research and development, manufacture and marketing of pharmaceuticals

Note: The Company, at Board of Directors meeting held on March 31, 2022, resolved to transfer all of our equity interest in Daiichi Sankyo Pharmaceutical (Beijing) Co., Ltd. to YaoPharma Co., Ltd. The transfer will be completed in the end of August 2022

**2) Status of Material Alliances, etc.**

a. Licensing-in of technology

Name of Group Company	Other Party	Country	Details of Technology
Daiichi Sankyo Company, Limited	Amgen Inc.	U.S.A.	Technology related to Denosumab, an anti-RANKL antibody
Daiichi Sankyo Company, Limited	Amgen Inc.	U.S.A.	Technology related to biosimilars
Daiichi Sankyo Company, Limited	Cell Therapy Ltd.	UK	Technology related to Heartcel, an immune-modulatory progenitor cell therapeutic agent for ischemic heart failure
Daiichi Sankyo Company, Limited	Kite Pharma, Inc.	U.S.A.	Technology related to Yescarta, a cellular cancer therapeutic agent for malignant lymphomas
Daiichi Sankyo Company, Limited	MedImmune, LLC	U.S.A.	Technology related to a live attenuated influenza vaccine administered as a nasal spray
Daiichi Sankyo Company, Limited	Ultragenyx Pharmaceutical Inc.	U.S.A.	Gene therapy manufacturing technology with adeno associated virus (AAV) vector
American Regent, Inc.	Vifor (International) Inc.	Switzerland	Technology related to Venofer and Injectafer, drugs for treating anemia

## b. Distribution agreement and others (licensing-in)

Name of Group Company	Other Party	Country	Details
Daiichi Sankyo Company, Limited	UCB Biopharma Sprl	Belgium	Exclusive sale and co-promotion in Japan of Vimpat, a treatment for epilepsy
Daiichi Sankyo Company, Limited	Kissei Pharmaceutical Co., Ltd.	Japan	Joint sale in Japan of the dysuria treatment drug Urief
Daiichi Sankyo Company, Limited	Mitsubishi Tanabe Pharma Corporation	Japan	Exclusive sale and co-promotion in Japan of hypoglycemic agent Tenelia
Daiichi Sankyo Company, Limited	Mitsubishi Tanabe Pharma Corporation	Japan	Co-promotion in Japan of hypoglycemic agent Canaglu
Daiichi Sankyo Company, Limited	Mitsubishi Tanabe Pharma Corporation	Japan	Exclusive sale and co-promotion in Japan of Canalia, a combination drug for the treatment of type 2 diabetes mellitus
Daiichi Sankyo Company, Limited	Eli Lilly Japan K.K. Eli Lilly and Company	Japan U.S.A.	Exclusive sale and co-promotion in Japan of the migraine prevention drug Emgality
Daiichi Sankyo Company, Limited	Eli Lilly Japan K.K. Eli Lilly and Company	Japan U.S.A.	Exclusive sale and co-promotion in Japan of Reyvow, a treatment for migraines
Daiichi Sankyo Company, Limited	Esperion Therapeutics, Inc.	U.S.A.	Exclusive sale in South Korea, Brazil, Taiwan, Hong Kong, Macao, Thailand, Vietnam, Myanmar, and Cambodia of the hypercholesterolemia treatment, bempedoic acid
Daiichi Sankyo Europe GmbH	Esperion Therapeutics, Inc.	U.S.A.	Exclusive sale in Europe of the hypercholesterolemia treatment, bempedoic acid

## c. Distribution agreement and others (licensing-out)

Name of Group Company	Other Party	Country	Details
Daiichi Sankyo Company, Limited	AstraZeneca UK Limited	UK	Joint development and commercialization collaboration, worldwide except for Japan, of HER2-directed ADC Enhertu
Daiichi Sankyo Company, Limited	AstraZeneca UK Limited	UK	Joint development and commercialization collaboration, worldwide except for Japan, of TROP2-directed ADC Dato-DXd
Daiichi Sankyo Company, Limited	Servier Canada inc.	Canada	Exclusive sale in Canada of the anticoagulant Lixiana
American Regent, Inc.	Fresenius U.S.A. Manufacturing Inc.	U.S.A.	Exclusive sale in the U.S.A. of the anemia treatment, Venofer for dialysis patients
Daiichi Sankyo Europe GmbH	Menarini International Operations Luxembourg S.A.	Luxembourg	Joint sale in Europe of the antihypertensive agent Olmetec
Daiichi Sankyo Northern Europe GmbH	Organon Trade LLC	U.S.A.	Exclusive sale in Europe of the anticoagulant Lixiana

**(8) The Principal Branches, Plants and Laboratories (As of March 31, 2022)****1) The Company**

Headquarters: 5-1, Nihonbashi Honcho 3-chome, Chuo-ku, Tokyo

Branches: Sapporo Branch (Hokkaido), Tohoku Branch (Miyagi), Tokyo Branch (Tokyo), Chiba-Saitama Branch (Chiba), Yokohama Branch (Kanagawa), Kanetsu Branch (Tokyo), Tokai Branch (Aichi), Kyoto Branch (Kyoto), Kansai Branch (Osaka), Chugoku Branch (Hiroshima), Shikoku Branch (Kagawa), and Kyushu Branch (Fukuoka)

Laboratories: Shinagawa R&D Center (Tokyo), Kasai R&D Center (Tokyo), Tatebayashi Biopharmaceuticals Center (Gunma), and Pharmaceutical Technology Division, Hiratsuka site (Kanagawa)

**2) Subsidiaries****a. Domestic**

Daiichi Sankyo Espha Co., Ltd.	Chuo-ku, Tokyo	
Daiichi Sankyo Healthcare Co., Ltd.	Chuo-ku, Tokyo	
Daiichi Sankyo Propharma Co., Ltd.	Headquarters	Chuo-ku, Tokyo
	Plant	Hiratsuka Plant (Kanagawa)
Daiichi Sankyo Chemical Pharma Co., Ltd.	Headquarters	Chuo-ku, Tokyo
	Plants	Onahama Plant (Fukushima), Tatebayashi Plant (Gunma), and Odawara Plant (Kanagawa)
Daiichi Sankyo Biotech Co., Ltd.	Kitamoto, Saitama	
Daiichi Sankyo RD Novare Co., Ltd.	Edogawa-ku, Tokyo	
Daiichi Sankyo Business Associe Co., Ltd.	Chuo-ku, Tokyo	
Daiichi Sankyo Happiness Co., Ltd.	Hiratsuka, Kanagawa	

**b. Overseas**

Daiichi Sankyo, Inc.	Basking Ridge, New Jersey, U.S.A.
American Regent, Inc.	Shirley, New York, U.S.A.
Daiichi Sankyo Europe GmbH	Munich, Germany

**(9) Status of Employees (As of March 31, 2022)**

Number of Employees		Change from Previous Fiscal Year-End
16,458		425 (increased)
Japan	9,135	156 (increased)
North America	2,706	104 (increased)
Europe	2,279	142 (increased)
Other regions	2,338	23 (increased)

Note: The number of employees is that of working employees, and does not include that of employees temporarily seconded to other groups, but does include that of employees temporarily seconded to the Group from other groups.

**(10) Principal Lenders and the Amount of Loans (As of March 31, 2022)**

Lender	Outstanding amount of loans (Millions of yen)
Syndicated loan	40,000
Nippon Life Insurance Company	1,000

Note: Syndicated loan is jointly financed by Mizuho Bank, Ltd. and 27 other financial institutions.

**(11) Litigation and Other Matters**

**1) Declaratory Judgement Action and Other Matters related to Daiichi Sankyo's Proprietary Antibody Drug Conjugate (ADC) Technology against Seagen Inc.**

- As announced in the press release dated on November 5, 2019, the Company has filed a Declaratory Judgement action in the District Court of Delaware in response to receiving communications claiming certain intellectual property rights related to our ADC technology from Seagen Inc. with respect to a previous collaboration between the two companies for the development of certain ADCs.
- The Company will vigorously defend its position that our ADC technology patents are the exclusive intellectual property of the Company.
- On the other hand, Seagen Inc. filed an arbitration demand in connection with the dispute in November 2019, and the arbitration process is underway.

**2) Lawsuit and Other Matters related to U.S. Patent Held by Seagen Inc.**

- Seagen Inc. filed a patent infringement lawsuit in the District Court for the Eastern District of Texas in October 2020, claiming Daiichi Sankyo's proprietary ENHERTU and other ADCs infringed the U.S. patent held by Seagen Inc. In April 2022, a trial was conducted in the same district court and a jury decided that ENHERTU infringes said patent. The jury awarded Seagen Inc. approximately US\$42 million in damages for the period leading up to trial and found that there was willful infringement of said patent. The district court has not yet made a judicial decision, and will make a judicial decision after deliberating details of the above jury verdict and further arguments by the parties in the future.
- Meanwhile, in December 2020, the Company and relevant parties filed a petition with the U.S. Patent Office for post-grant review (PGR) contesting the patentability of said US patent of Seagen Inc., but it was decided that a trial examination for such PGR shall not commence. Upon the decision the Company and relevant parties again filed a petition with the U.S. Patent Office for PGR in July 2021, and filed an administrative litigation in the District Court of the Eastern District of Virginia in August 2021. Thereafter, in April 2022, the U.S. Patent Office approved above petition and decided to start the PGR.
- The Company disagrees with the jury verdict, is committed to defending its rights, and will explore options with respect to the jury verdict, including post-trial motions and an appeal.

## 2. Matters regarding Shares

### (1) Status of Shares (As of March 31, 2022)

- 1) **Total Number of Authorized Shares:** 8,400,000,000 shares  
 2) **Total Number of Issued Shares:** 1,947,034,029 shares (including 30,247,523 treasury shares)  
 (Note) On April 15, 2021, 180,000,000 treasury shares were cancelled.  
 3) **Number of Shareholders:** 106,373 (increase of 23,766 from March 31, 2021)  
 4) **Major Shareholders (Top 10):**

Name of Shareholders	Number of Shares Held (thousand shares)	Equity Stake (%)
The Master Trust Bank of Japan, Ltd. (trust account)	339,508	17.71
Custody Bank of Japan, Ltd. (trust account)	158,722	8.28
JP Morgan Chase Bank 385632	134,325	7.01
Nippon Life Insurance Company	85,863	4.48
STATE STREET BANK AND TRUST COMPANY 505001	49,650	2.59
Custody Bank of Japan, Ltd. as trustee for Mizuho Bank, Ltd. Retirement Benefit Trust Account re-entrusted by Mizuho Trust and Banking Co., Ltd.	43,208	2.25
SSBTC CLIENT OMNIBUS ACCOUNT	36,731	1.92
The Shizuoka Bank, Ltd.	32,922	1.72
STATE STREET BANK WEST CLIENT-TREATY 505234	30,811	1.61
JP MORGAN CHASE BANK 385781	24,722	1.29

- Notes: 1. The Company held 30,247,523 treasury shares as of March 31, 2022, which are excluded from the above table.  
 2. Treasury shares are not included in the computing of equity stake.

### <Composition Ratios by Shareholder Category>

Shareholder Category	Equity Stake	
	As of March 31, 2021 (for reference)	As of March 31, 2022
National government and local governments	0.00%	0.00%
Financial institutions	42.04%	43.29%
Financial instrument firms	1.03%	1.39%
Other corporations	2.62%	2.72%
Foreign institutions and individuals	34.62%	40.09%
Individual investors and others	9.78%	10.96%
Treasury share	9.91%	1.55%

### 5) Shares Granted to Directors as Compensation during the Fiscal Year

The status of shares granted to Directors as compensation for their execution of duties during the fiscal year under review is as follows:

Category	Class and number of shares	Number of grantees
Directors (excluding Outside Directors)	Ordinary shares of the Company 39,716 shares	5

Note: The above shares are granted as restricted share remuneration of the Company.



### **3. Matters regarding Corporate Governance**

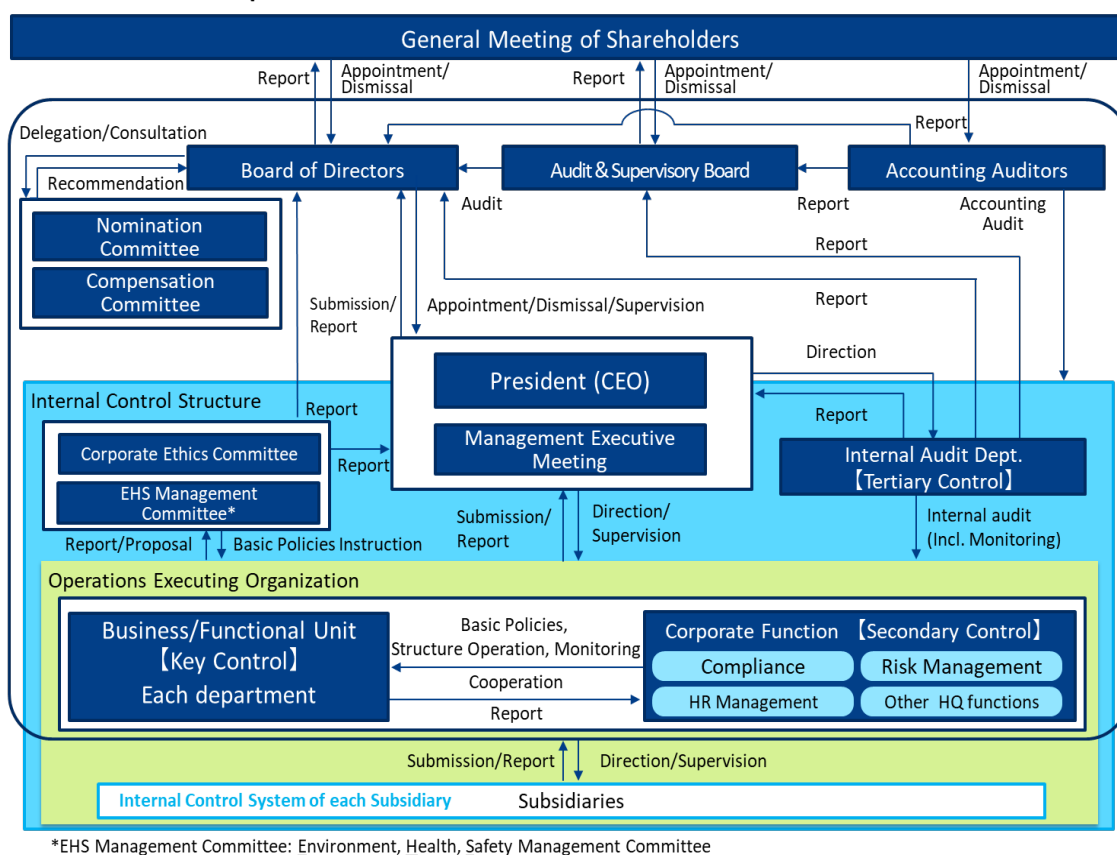
#### **(1) Systems on Corporate Governance**

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

#### **1) Corporate Governance Structure**

- a. To clarify Directors management responsibility and reinforce their oversight of management and the conduct of operations, their terms of office are set at one year, and four out of our nine Directors are Outside Directors. Since June 2020, an Outside director has been appointed chairperson of Board of Directors.
- b. To ensure management transparency, nomination of candidates for Director and Corporate Officer, successor plan of CEO and compensation thereof are deliberated on by a Nomination Committee and a Compensation Committee, respectively, which are established as voluntary committees.
- c. The Committees above are comprised by four Outside Directors and one Outside Audit & Supervisory Board Member participates as the observer in each committee.
- d. For audits of legal compliance and soundness of management, the Company has adopted an Audit & Supervisory Board system and established the Audit & Supervisory Board comprising five Audit & Supervisory Board Members, including three Outside Audit & Supervisory Board Members.
- e. The Company prescribes specific criteria on the judgment of independence of Outside Directors and Outside Audit & Supervisory Board Members and basic matters regarding execution of duties by Directors and Audit & Supervisory Board Members.
- f. Under the global management structure, the Management Executive Meeting with management unit heads as members is held as appropriate to deliberate on important matters related to the strategy, policy, and execution of group management, and to contribute to management decision-making.
- g. The Company employs a Corporate Officer System which contributes to appropriate and swift management decision-making and the conduct of operations.
- h. With the aims of ensuring effectiveness and efficiency of operations, ensuring reliability of financial reporting, complying with applicable laws and regulations relevant to business activities, and safeguarding assets, the Company structures its internal control system to consist of self-monitoring carried out by respective organizations which execute its functions (primary controls), policy development and monitoring for respective organizations carried out by the corporate organization (secondary controls), and internal auditing encompassing monitoring carried out by the Internal Audit Department (tertiary controls).

## Overview of the Corporate Governance Structure



## 2) Composition and Functions of Each Committee:

### a. Nomination Committee

Chairperson: Tsuguya Fukui, Outside Director

Members: Noritaka Uji, Kazuaki Kama and Sawako Nohara, Outside Directors

Observer: Tateshi Higuchi, Outside Audit & Supervisory Board Member

- It has been established to deliberate matters required for the appointment, dismissal and reelection of the CEO, successor plan of the CEO, and nomination for Directors, Heads of Unit in the Global Management Structure and Corporate Officers at the request of Board of Directors, and contribute to the enhancement of management transparency and oversight functions.
- In fiscal 2021, meetings were held ten times; in April\*, May\* (twice), September\*, October, November, December, January, February and March\* to discuss the appointment, dismissal and reelection of the CEO, successor plan of the CEO, nomination for candidate Directors, Heads of Unit in the Global Management Structure and Corporate Officers, the Skill Matrix, and training and promotion of female managerial employees, and other matters.

### b. Compensation Committee

Chairperson: Kazuaki Kama, Outside Director

Members: Noritaka Uji, Tsuguya Fukui and Sawako Nohara, Outside Directors

Observer: Yukiko Imazu, Outside Audit & Supervisory Board Member

- It has been established to deliberate matters required for a policy on compensation of Directors and Corporate Officers as well as the individual amounts of compensation at the request of Board of Directors and contribute to the enhancement of management transparency and oversight functions.
- In fiscal 2021, meetings were held eleven times; in April\* (twice), May\* (twice), July, September\*, November, December, January, February and March\*, to discuss decision

policies regarding the content of individual compensation for Directors, amounts and calculation standards for individual compensation and bonuses of Directors and Corporate Officers, introduction of medium-term performance-based compensation, allotment of restricted shares, examination of compensation levels for Directors and Corporate Officers, and other matters.

- \* In addition to standard deliberations, in April, May, September and March, joint meetings of the Nomination Committee and the Compensation Committee were held to discuss objective setting and evaluation of CEO.

c. Corporate Ethics Committee

Chairperson: Compliance Officer (Head of Corporate Affairs Division)

Members: The Committee consists of 14 members including 13 members internally assigned by the chairperson and an outside lawyer for ensuring transparency and confidence of the Committee.

Observers: Ryoichi Watanabe and Kenji Sato, Full-time Audit & Supervisory Board Members and Vice President of Internal Audit Department

- It has been established to comply with Japanese and other jurisdictions' laws and corporate ethics and to promote the management of corporate social responsibility.
- In fiscal 2021, meetings were held twice, in July and February, to discuss annual progress reports for the Group's compliance management promotion (including progress of materiality KPIs), report on compliance status (total number of whistle-blowing and violation cases, etc.), the Fiscal 2022 Compliance Objectives and Compliance Promotional Activity Plan mainly in Japan (awareness promotion, education, monitoring, surveys, and other matters related to compliance), and other matters.

d. EHS Management Committee

Chairperson: Chief Executive Officer of EHS Management (Head of Corporate Affairs Division)

Members: The Committee consists of 15 members including executives of Group companies assigned by the chairperson.

Observers: Ryoichi Watanabe and Kenji Sato, Full-time Audit & Supervisory Board Members

- It has been established to achieve the integrated operation and promotion of the management system to consistently improve environment, health and safety for the purpose of minimizing risks and contributing to the development of a sustainable society, recognizing that the protection of the environment and ensuring the health and safety of employees through overall corporate activities of the Group are the most important business challenges.
- In fiscal 2021, meetings were held twice, in July and February, to discuss revisions for objectives related to climate change (KPIs) in response to domestic and overseas environments concerning climate change initiatives and response to the revised guideline by TCFD\*, and global policies on health and occupational safety such as Occupational Health and Safety Management Systems introduced from fiscal 2021 for the purpose to cut down on workplace accidents at all locations in Japan and overseas, and other matters.

\*TCFD: TCFD stands for Task Force on Climate-related Financial Disclosures.

**(2) Policies and Procedures for Appointment of Directors, Audit & Supervisory Board Members and CEO**

- Directors shall meet the requirement of being personnel of excellent character and insight who contribute to maximizing the corporate value of the Group.
- Directors shall meet the requirements of being appropriate persons with respect to term of office and age, and of being suitably competent of performing timely and accurate judgment, looking at the changes in the business environment while giving importance to the continuance of management policies, etc.
- Directors shall meet the requirements that they are the individuals with expertise, experience, and insight in one or more of the following fields: corporate management and management strategy, finance and accounting, science and technology, business strategy and marketing, global business, human

- resources and HR development, legal and risk management, sustainability and ESG, and DX and IT.
- Directors shall meet the requirements that there shall always be Outside Directors included to strengthen the decision-making and supervisory functions, based on various perspectives.
  - It is required that Outside Directors have, in principle, no more than three concurrent positions as officers of listed companies, excluding the Company.
  - The Company recognizes that ensuring the diversity of Directors particularly in terms of gender, nationality, race, etc. as well as incorporating diverse opinions into management are important for strengthening the decision-making and supervisory functions of Board of Directors. The Company will continue to discuss the selection of candidates for Directors with such aspects in mind.
  - When appointing the candidates for Directors, Board of Directors shall appoint the candidates after they have been sufficiently deliberated by the Nomination Committee, of which Outside Directors form a majority.
  - Directors should attend Board of Directors meetings unless there are unavoidable circumstances and maintain an attendance rate of at least 75% or more.
  - Audit & Supervisory Board Members shall meet the requirement of whether they can fulfil their duties and ensure their independence from the representative directors, Directors, and corporate officers.
  - When selecting the candidates for Audit & Supervisory Board Members, Board of Directors shall select the candidates after they have been deliberated by the Nomination Committee, and agreed by the Audit & Supervisory Board.
  - Outside Directors and Outside Audit & Supervisory Board Members shall be confirmed to have no problems according to specific criteria on the judgment of independence.
  - The selected candidates for Directors and Audit & Supervisory Board Members shall be proposed for appointments at the General Meeting of Shareholders.
  - Candidates for CEO shall be selected based on the successor plan and defined eligibility requirements, etc. that have been discussed at the Nomination Committee.
  - Appointment of CEO (including reelection) shall be determined by resolution of Board of Directors over a recommendation from the Nomination Committee that the Committee submits after sufficient deliberation.

### **(3) Policies and Procedures for Dismissal of Directors and CEO**

- If any Director is found not meeting eligibility requirements or requirements for execution of duties defined in the Companies Act or the Directors Regulations, following deliberation at the Nomination Committee and Board of Directors, the General Meeting of Shareholders shall deem that it meets criteria for dismissal of Directors, and resolve dismissal of such Director after the relevant proposal.
- Dismissal of CEO shall be called into account in light of the Companies Act, defined CEO eligibility requirements or requirements for execution of duties, and determined in the same manner as appointment, by resolution of Board of Directors over a recommendation from the Nomination Committee that the Committee submits after sufficient deliberation.

**(4) Status of Directors and Audit & Supervisory Board Members (As of March 31, 2022)**

Name	Position and Assignments, etc.	Material Concurrent Positions	Relationship between companies where they have material concurrent positions and the Company
Sunao Manabe	Representative Director, President and CEO		
Satoru Kimura	Representative Director, Senior Executive Officer, Head of Japan Business Unit		
Masahiko Ohtsuki	Director, Senior Executive Officer, Head of Digital Transformation Management Division		
Shoji Hirashima	Director, Senior Executive Officer, Head of Corporate Strategy Division		
Hiroyuki Okuzawa	Director, Executive Officer, Head of Corporate Planning & Management Division and CFO		
Noritaka Uji	Outside Director	Outside Director of Yokogawa Electric Corporation	No material business relationship
		Honorary Chairperson of Japan Institute of Information Technology	
		Honorary President of Japan Telework Association	
		Visiting Professor of Center for Global Communications, International University of Japan	
Tsuguya Fukui	Outside Director	Director of Tokyo Medical University Ibaraki Medical Center	No material business relationship
		Director of Japan Council for Evaluation of Postgraduate Clinical Training	
		President of The Japan Medical Library Association	
Kazuaki Kama	Outside Director	Senior Advisor of IHI Corporation	No material business relationship
		Outside Director of SUMITOMO LIFE INSURANCE COMPANY	
		Statutory Auditor (Outside) of Tokyo Stock Exchange, Inc.	
Sawako Nohara	Outside Director	President of IPSe Marketing, Inc.	No material business relationship
		Project Professor of the Graduate School of Media and Governance, Keio University	
		Outside Director of Tokyo Gas Co., Ltd.	
		Outside Director of Keikyu Corporation	

Name	Position and Assignments, etc.	Material Concurrent Positions	Relationship between companies where they have material concurrent positions and the Company
Ryoichi Watanabe	Full-time Audit & Supervisory Board Member		
Kenji Sato	Full-time Audit & Supervisory Board Member		
Tateshi Higuchi	Outside Audit & Supervisory Board Member	Outside Director of MIURA CO., LTD.	No material business relationship
		Member of Japan Casino Regulatory Commission, an external bureau of the Cabinet Office	
Yukiko Imazu	Outside Audit & Supervisory Board Member	Partner, Attorney-at-Law of Anderson Mōri & Tomotsune	No material business relationship
		Director of Ishibashi Foundation	
Masako Watanabe	Outside Audit & Supervisory Board Member	Outside Director of SAKATA SEED CORPORATION	No material business relationship

## Notes:

- The Company's Board of Directors consists of nine Directors and five Audit & Supervisory Board Members, totaling 14, and including three female members (the ratio of female members is 21.4%).
- In the above, Outside Director means an outside director prescribed by Article 2, Item 15 of the Companies Act and Outside Audit & Supervisory Board Member means an outside audit & supervisory board member prescribed by Article 2, Item 16 of the Companies Act.
- The Company has designated all Outside Directors (Noritaka Uji, Tsuguya Fukui, Kazuaki Kama and Sawako Nohara) and Outside Audit & Supervisory Board Members (Tateshi Higuchi, Yukiko Imazu and Masako Watanabe) as Independent Directors/Corporate Auditors and filed them with the Tokyo Stock Exchange accordingly.
- Ryoichi Watanabe, Full-time Audit & Supervisory Board Member, has held various senior positions including Vice President, Corporate Finance & Accounting Department and has considerable knowledge and experience in finance and accounting as an Audit & Supervisory Board Member.
- Masako Watanabe, Outside Audit & Supervisory Board Member, is a certified public accountant and has considerable knowledge in finance and accounting.
- No Directors or Audit & Supervisory Board Members resigned or were removed during this fiscal year. Director Toshiaki Sai and Audit & Supervisory Board Member Sayoko Izumoto retired following the end of their tenure of office at the conclusion of the 16<sup>th</sup> Ordinary General Meeting of Shareholders held on June 21, 2021.

**(5) Status of Outside Directors and Outside Audit & Supervisory Board Members****1) Relationship between Companies Where They Have Material Concurrent Positions and the Company (As of March 31, 2022)**

- The relationship between companies where they have material concurrent positions and the Company is as described in (4) Status of Directors and Audit & Supervisory Board Members.

**2) Major Activities During this Fiscal Year**

Position	No. of attendance	Major activities
Noritaka Uji		
Outside Director	Board of Directors Meetings 17/17 (100%)	Noritaka Uji has a wealth of experience and a wide range of knowledge in overall corporate management, IT, and digital technology, developed through his management experience in the area of information technology. He attended all meetings of Board of Directors held during this fiscal year. Since June 2020, he has served as the Chairperson of Board of Directors, the first Outside Director to assume the position in the Company. By making useful comments and proposals as needed based on the above experience, professional insight and objective standpoint, as well as appropriately managing the proceedings of meetings of Board of Directors, he has contributed to the separation of execution and oversight, and appropriately fulfilled his roles including the oversight on execution of the operation. Furthermore, as a member of the Nomination Committee and the Compensation Committee, he attended all meetings of both Committees held during this fiscal year and actively made comments from an external perspective, contributing to the enhancement of the Committees' oversight functions on management.
Chairperson of Board of Directors	Meetings of the Nomination Committee 10/10 (100%)	
Member of the Nomination Committee	Meetings of the Compensation Committee 11/11 (100%)	
Member of the Compensation Committee		
Tsuguya Fukui		
Outside Director	Board of Directors Meetings 17/17 (100%)	Tsuguya Fukui has a wealth of experience and a wide range of knowledge in such fields as overall healthcare and public health, developed through his experience as a medical scientist and president of a medical institution. He attended all meetings of Board of Directors held during this fiscal year. By making useful comments and proposals as needed at meetings of Board of Directors based on the above experience, professional insight and objective standpoint, he has appropriately fulfilled his roles including the oversight on execution of the operation. Furthermore, as Chairperson of the Nomination Committee (appointed in June 2020), he attended all meetings of the Committee held during this fiscal year and appropriately managed the proceedings of meetings of the Committee from an external perspective. In addition, as a member of the Compensation Committee, he attended all meetings of the Committee held during this fiscal year and made useful comments as needed, contributing to the enhancement of the Committees' oversight functions on management.
Chairperson of the Nomination Committee	Meetings of the Nomination Committee 10/10 (100%)	
Member of the Compensation Committee	Meetings of the Compensation Committee 11/11 (100%)	

Position	No. of attendance	Major activities
Kazuaki Kama		
Outside Director Chairperson of the Compensation Committee Member of the Nomination Committee	Board of Directors Meetings 17/17 (100%) Meetings of the Nomination Committee 10/10 (100%) Meetings of the Compensation Committee 11/11 (100%)	Kazuaki Kama has a wealth of experience and a wide range of knowledge in overall corporate management as well as finance and accounting, developed through his management experience at a comprehensive heavy-industry manufacturer. He attended all meetings of Board of Directors held during this fiscal year. By making useful comments and proposals as needed at meetings of Board of Directors based on the above experience, professional insight and objective standpoint, he has appropriately fulfilled his roles including the oversight on execution of the operation. Furthermore, as Chairperson of the Compensation Committee (appointed in June 2019), he attended all meetings of the Committee held during this fiscal year and appropriately managed the proceedings of meetings of the Committee from an external perspective. In addition, as a member of the Nomination Committee, he attended all meetings of the Committee held during this fiscal year and made useful comments as needed, contributing to the enhancement of the Committees' oversight functions on management.
Sawako Nohara		
Outside Director Member of the Nomination Committee Member of the Compensation Committee	Board of Directors Meetings 17/17 (100%) Meetings of the Nomination Committee 10/10 (100%) Meetings of the Compensation Committee 11/11 (100%)	Sawako Nohara has a wealth of experience and a wide range of knowledge in such fields as overall corporate management, IT, business strategies and marketing strategies, developed through her experience as the founder of a company engaging in the Internet and digital business and management experience. She attended all meetings of Board of Directors held during this fiscal year. By making useful comments and proposals as needed at meetings of Board of Directors based on the above experience, professional insight and objective standpoint, she has appropriately fulfilled her roles including the oversight on execution of the operation. Furthermore, as a member of the Nomination Committee and the Compensation Committee, she attended all meetings of both Committees held during this fiscal year and actively made comments from an external perspective, contributing to the enhancement of the Committees' oversight functions on management.
Tateshi Higuchi		
Outside Audit & Supervisory Board Member Observer of the Nomination Committee	Board of Directors Meetings 17/17 (100%) Meetings of Audit & Supervisory Board 15/15 (100%) Meetings of the Nomination Committee 10/10 (100%)	Tateshi Higuchi has a wealth of experience and a wide range of knowledge in overall administrative affairs, developed through his experience as a police bureaucrat and diplomat. He attended all meetings of Board of Directors and Audit & Supervisory Board held during this fiscal year and made useful comments and proposals as needed based on the above experience, professional insight and objective standpoint. He also assessed the status of decision making by Board of Directors and other matters, thereby performing his duties to audit the execution of Directors' duties in an appropriate manner. In addition, he attended all meetings of the Nomination Committee held during this fiscal year as an observer and provided valuable opinions and advice as needed.



Position	No. of attendance	Major activities
Yukiko Imazu		
Outside Audit & Supervisory Board Member	Board of Directors Meetings 17/17 (100%)	Yukiko Imazu has a wealth of experience and a wide range of knowledge in overall legal affairs, developed through her experience as a lawyer. She attended all meetings of Board of Directors and Audit & Supervisory Board held during this fiscal year and made useful comments and proposals as needed based on the above experience, professional insight and objective standpoint. She also assessed the status of decision making by Board of Directors and other matters, thereby performing her duties to audit the execution of Directors' duties in an appropriate manner. In addition, she attended the meetings of the Compensation Committee as an observer and provided valuable opinions and advice as needed.
Observer of the Compensation Committee	Meetings of Audit & Supervisory Board 15/15 (100%)	
	Meetings of the Compensation Committee 7/7 (100%)	
Masako Watanabe		
Outside Audit & Supervisory Board Member	Board of Directors Meetings 10/10 (100%)	Masako Watanabe has a wealth of experience and a wide range of knowledge in overall finance and accounting, developed through her experience as a certified public accountant. She attended all meetings of Board of Directors and Audit & Supervisory Board after assuming office as Audit & Supervisory Board Member and made useful comments and proposals as needed based on the above experience, professional insight and objective standpoint. She also assessed the status of decision making by Board of Directors and other matters, thereby performing her duties to audit the execution of Directors' duties in an appropriate manner.
	Meetings of Audit & Supervisory Board 10/10 (100%)	

Note: The number of attendance for Yukiko Imazu in the meetings of the Compensation Committee indicates the number of attendance only to such meetings during fiscal 2021 held after her assumption of office on June 21, 2021.

The numbers of attendance for Masako Watanabe in the meetings of Board of Directors and meetings of the Audit & Supervisory Board indicates the number of attendance only to such meetings during fiscal 2021 held after her assumption of office on June 21, 2021.

### 3) Outline of the Terms of Liability Limitation Agreement

- With regard to liability for damages under Article 423, Paragraph 1 of the Companies Act, the Company has entered into agreements with Outside Directors Noritaka Uji, Tsuguya Fukui, Kazuaki Kama and Sawako Nohara and Outside Audit & Supervisory Board Members Tateshi Higuchi, Yukiko Imazu and Masako Watanabe to limit their liabilities based on the Articles of Incorporation in the event that the case falls under the requirements defined in laws and regulations (Liability Limitation Agreements); provided, however, that the maximum amount of liabilities under such agreement is the minimum liability amount as provided by applicable laws and regulations.

### (6) Matters regarding Directors and Officers Liability Insurance Policy

- The Company has entered into a directors and officers liability insurance policy with an insurance company. In the event of a claim for damages filed against an insured by a shareholder or a third party, this insurance policy covers such damages as compensation for damages and litigation cost to be borne by the insured. However, this policy does include certain exemption clauses, for instance, not covering damages attributable to acts in violation of laws or regulations carried out by an insured with full knowledge of his/her illegality, so as not to impair the appropriateness of execution of duties by directors and other officers.
- The insureds of this insurance policy are Directors, Audit & Supervisory Board Members and Corporate Officers of the Company and domestic Group companies\* as well as key Executive Persons and managerial employees of overseas Group companies (excluding those in the U.S.)\*. The insurance premiums are fully paid by companies to which the insureds belong.  
\* Group companies in the U.S. have separately entered into an insurance policy similar to this directors and officers liability insurance policy.

**(7) The Amount of Compensation and Related Payments to Directors and Audit & Supervisory Board Members for Fiscal 2021**

Classification	Total amount of compensation and related payments (Millions of yen)	Total amount of compensation and related payments to Directors and Audit & Supervisory Board Members by type (Millions of yen)				Number of Directors and Audit & Supervisory Board Members to be paid (Number of persons)
		Basic compensation	Annual performance-based bonuses	(Non-monetary compensation) Restricted share-based compensation	(Non-monetary compensation) Medium-term performance-based share compensation	
Directors (excluding Outside Directors)	863	316	387	98	63	6
Audit & Supervisory Board Members (excluding Outside Audit & Supervisory Board Members)	93	93	–	–	–	2
Outside Directors	96	96	–	–	–	4
Outside Audit & Supervisory Board Members	62	62	–	–	–	4

Note: The amount of compensation and related payments to Directors (excluding Outside Directors) and Outside Audit & Supervisory Board Members, and the number of persons to be paid include those of one Director and one Outside Audit & Supervisory Board Member who retired following the end of their tenure of office at the conclusion of the 16<sup>th</sup> Ordinary General Meeting of Shareholders held on June 21, 2021.

**1) Basic compensation**

- The total amount of “basic compensation” paid to Directors shall be ¥630 million or less per fiscal year (including the total amount of basic compensation paid to Outside Directors at ¥140 million or less per fiscal year) (excluding the portion of salaries for Directors concurrently working as employees) and the total amount of compensation paid to Audit & Supervisory Board Members shall be ¥180 million or less per fiscal year as approved at the 16<sup>th</sup> Ordinary General Meeting of Shareholders held on June 21, 2021 (the Company had nine Directors, including four Outside Directors, and five Audit & Supervisory Board Members at the close of said Ordinary General Meeting of Shareholders).

**2) Annual performance-based bonuses**

- “Annual performance-based bonuses” above represent an estimated amount to be paid as “Annual performance-based bonuses” for the fiscal year under review. In addition to the total amount of basic compensation, the total amount of “annual performance-based bonus” paid to Directors (excluding Outside Directors) shall be ¥850 million or less per fiscal year as approved at the 16<sup>th</sup> Ordinary General Meeting of Shareholders held on June 21, 2021 (the Company had nine Directors, including four Outside Directors at the close of said Ordinary General Meeting of Shareholders).
- The amount of “annual performance-based bonuses” 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 degree of achievement of each Director’s goals and tasks set at the beginning of the fiscal year. Setting the degree of achievement of the earnings forecasts for the relevant fiscal year about “revenue,” which indicate the size of business, “core operating profit ratio,” which indicates the efficiency of business activities, and “profit attributable to owners of the Company,” which indicates the final outcome of corporate activities, as the evaluation criteria, it is intended to provide a strong motivation to commit to achieving the targets as short-term incentive compensation.
- The formula for calculating the amount of payment is as follows.  
\* Calculation formula for annual performance-based bonus

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

The targets and actual results of indices for “Annual performance-based bonuses” for the fiscal year under review are as follows:

**Breakdown of annual target achievement ratio (Fiscal 2021)**

Index for the achievement of annual targets	Evaluation ratio	Evaluation coefficient fluctuation range	Target	Achievement	Evaluation factor	Bonus payment rate
Revenue	10%	0%-200%	¥990.0 billion	¥1,044.9 billion	200.0%	190.0%
Core operating profit ratio	10%	0%-200%	7.1%	8.7%	200.0%	
Profit attributable to owners of the Company	80%	0%-200%	¥50.0 billion	¥67.0 billion	187.5%*	

\* It is calculated to be 200%, however, it has been corrected.

**3) Restricted share-based compensation**

- The amount of “restricted share-based compensation” above represents the amount recorded as expenses for restricted share-based compensation in this fiscal year. This restricted share-based compensation with a maximum limit of ¥160 million in total per fiscal year was approved to be paid to Directors (excluding Outside Directors) of the Company (“Target Directors”) at the 16<sup>th</sup> Ordinary General Meeting of Shareholders held on June 21, 2021, separately from the aforementioned total amount of basic compensation and annual performance-based bonuses. At the same time, the total number of ordinary shares of the Company to be issued or disposed of, in order to be delivered to Directors (excluding Outside Directors), was also approved to be 240 thousand shares or less per year (if the Company performs a share split (including allotment of shares without contribution) or a share consolidation of its ordinary shares, or any other reason requiring an adjustment to the total number of such shares arises, the said total number shall be reasonably adjusted in accordance with the share split or share consolidation ratio) (The Company had nine Directors (of which four were Outside Directors) at the conclusion of the said Ordinary General Meeting of Shareholders.).

The content of restricted share-based compensation paid to Directors (excluding Outside Directors) as non-monetary compensation for the fiscal year under review is as follows:

- Target Directors and number of shares granted: Five Directors (excluding Outside Directors) of the Company; 39,716 shares
- Grant date: July 20, 2021
- Method for grant: Disposal of treasury shares (contribution in kind of monetary compensation receivables provided to Target Directors as property to be contributed to acquire restricted shares)
- Conditions for providing restricted shares: Conclusion of a restricted share allotment agreement (hereinafter the “Allotment Agreement”)

## (Overview of the Allotment Agreement)

- a. Restricted period  
The restricted period shall be the period extending to the time immediately after resignation or retirement from the position of Director or Corporate Officer not concurrently serving as Director of the Company from July 20, 2021 (the “Disposal Date”).
- b. Terms for lifting of transfer restriction of shares  
A Target Director must continue to be a Director or Corporate Officer not concurrently serving as Director of the Company during the period from July 20, 2021 to the time immediately before the conclusion of the first Ordinary General Meeting of Shareholders after the Date (the “Period of Service”).  
However, in the event that an Target Director resigns or retires from the position of Director or Corporate Officer not concurrently serving as Director of the Company during the restricted period due to the end of his/her tenure of office, attainment of retirement age or any other justifiable reason in the Period of Service, the transfer restriction shall be lifted at the time immediately after the resignation or retirement regarding the number of shares reasonably adjusted according to the period until the resignation or retirement date.
- c. Acquisition without contribution by the Company  
The Company, shall, by rights, acquire without contribution any allotted shares on which the transfer restriction has not been lifted at the expiration of the restricted period or at the time of lifting the transfer restriction.

**4) Medium-term performance-based share compensation**

- As approved at the 16<sup>th</sup> Ordinary General Meeting of Shareholders held on June 21, 2021 (the Company had nine Directors, including four Outside Directors at the close of said Ordinary General Meeting of Shareholders), the total amount of “medium-term performance-based compensation” is targeted at the Company’s Directors (excluding Outside Directors) and Corporate Officers (hereinafter, the “Target Directors & Officers”) and is set separately from the above total amount of basic compensation, total amount of annual performance-based bonus and total amount of restricted share-based compensation, at ¥800 million per fiscal year for the fiscal years covered by the medium-term business plan (hereinafter, the “Target Period”, and the initial Target Period is the 5-year business plan from fiscal 2021 to fiscal 2025), multiplied by the number of fiscal years corresponding to the Target Period (for the initial Target Period commencing from fiscal 2021, the upper limit shall be ¥4.0 billion for five fiscal years) as the upper limit (for amount to be contributed); in addition, the maximum number of the Company’s shares, etc. to be delivered to Target Directors & Officers shall be 500 thousand shares per fiscal year, multiplied by the number of fiscal years corresponding to the Target Period (for the initial Target Period commencing from fiscal 2021, the maximum number shall be 2.5 million shares for five fiscal years).
- The medium-term performance-based share compensation, which serves as long-term incentive and links pay to the achievement of performance during a series of fiscal years subject to a medium-term business plan, aims to promote management with a focus on increasing shareholder value over the medium to long term, and is a trust-type and share-based compensation plan which has the nature of performance-based share compensation. The performance-based coefficient shall be determined according to the degree of achievement of targets of the Company’s performance indicators set forth for the final fiscal year of the Target Period (for the initial Target Period, revenue, core operating profit ratio before research and development expenses, ROE, research and development progress, ESG indicators, and relative TSR set forth in the medium-term business plan announced in fiscal 2021 are adopted), with the intention to provide a strong motivation to commit to achieving the targets of the medium-term business plan.
- Although the trust for the “medium-term performance-based compensation,” which is a trust-type and share-based compensation plan that uses share delivery trust, has not been established yet, as points for the medium-term performance-based compensation are awarded based on the already established share delivery rules, the expenses are recorded as provisions for the fiscal year under review for future payment of the medium-term performance-based compensation, and such amounts are presented in the table above.
- While such compensation is, in principle, paid after the performance of the medium-term business plan is finalized, considering situations where the trust has not been established yet, etc., and with approval on the Fifth Proposal described on page 26 of the Convocation Notice, based on the same

calculation method of a trust-type and share-based compensation plan, as an alternative to delivery of the Company's Shares, etc. from the trust, the Company may 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 such plan and share price, etc., to Directors scheduled to retire.

**(8) Matters concerning the Decision Policy regarding the Content of Individual Compensations of Directors**

- At Board of Directors meeting held on May 13, 2021, the Company has established a policy regarding decisions of the content of individual compensations for Directors, which was subsequently amended at Board of Directors meeting held on May 19, 2022. The outline is as follows.

**1) Compensation Policy**

- Compensations to Directors are designed based on the following ideas.
  - (1) Compensation system with a compensation level that can secure and maintain excellent human resources
  - (2) Compensation system that motivates sustainable growth over the medium to long term and contributes to the increase of the value of the Company and shareholder value
  - (3) A transparent, fair and rational compensation system accountable to stakeholders

**2) Level of Compensations**

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

**3) Composition of Compensations**

Directors (excluding Outside Directors)

- It is designed to encourage management efforts from a short-term to medium-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.

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.

**4) Ratio of the Composition of Compensations**

- The composition of compensations to Representative Director, President and CEO is designed to have its ratio of 40% as basic compensation, 30% as annual performance-based bonuses, 15% as restricted share-based compensation and 15% as medium-term performance-based share compensation when achieving the performance target of 100%.
- The ratio of the composition of compensations of other Directors (excluding Outside Directors) will be determined in consideration of the responsibilities and the level of compensation according to the ratio of composition of compensation of Representative Director, President and CEO.

- Compensation to Outside Directors is only basic, fixed compensation.

Representative Director, President and CEO	Basic compensation (fixed) 40%	Annual performance- based bonuses 30%	Restricted share-based compensation 15%	Medium-term performance- based share compensation 15%
Outside Directors	Basic compensation (fixed) 100%			

### 5) Basic Compensation

- Basic compensation to Directors shall be paid on one regular day of each month during their tenure, and the amount of individual compensation is determined according to the compensations policy and the level of compensations.

### 6) 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 the evaluation ratio and mechanism of annual performance-based bonuses are as follows.

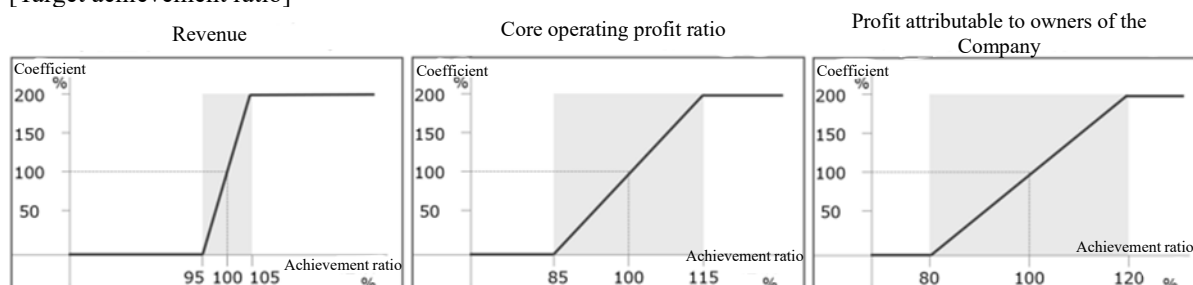
a. Calculation formula for annual performance-based bonus

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

b. Achievement of annual targets (evaluation ratio and mechanism)

Index for the achievement of annual targets	Evaluation ratio	Evaluation coefficient fluctuation range	Targets (set with the following as a guide)
Revenue	10%	0%-200%	Upper limit: Target * 105% Target: Expected value announced at the beginning of the fiscal year Lower limit: Target * 95%
Core operating profit ratio	10%	0%-200%	Upper limit: Target * 115% Target: Expected value announced at the beginning of the fiscal year Lower limit: Target * 85%
Profit attributable to owners of the Company	80%	0%-200%	Upper limit: Target * 120% Target: Expected value announced at the beginning of the fiscal year Lower limit: Target * 80%
Total	100%	0%-200%	

[Target achievement ratio]



c. Performance evaluation

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

- (i) The performance evaluation of the Chairperson and the President will be determined after deliberation at the Nomination and Compensation Joint Committee.
- (ii) For other Directors, the evaluation decided by the President after deliberation at the performance meeting shall be applied. The evaluation results of Directors will be reported to the Compensation Committee.

	Index	Coefficient	Evaluation method
Chairperson / President	Company-wide tasks such as R&D progress Successor training, etc.	50%-150%	Decided after deliberation at the Nomination and Compensation Joint Committee
Other Directors	Department (individual) goals	80%-120%	Performance evaluation (President)

7) 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 (if a share split of the Company’s ordinary shares (including a gratis allotment of the Company’s ordinary shares) or a share consolidation occurs, or if there is any other reason that requires adjustment of the total number, the Company will adjust the number in a reasonable range as necessary according to the split or consolidation ratio.).
- When restricted share-based compensation is paid, monetary compensation receivables will be paid to Directors based on a resolution of Board of Directors of the Company, and Directors will pay all of the paid monetary compensation receivables as in-kind contribution assets of the Company’s ordinary shares and will be issued them.
- When delivering the Company’s ordinary shares, a restricted share allotment agreement will be concluded between the Company and each Director, and Directors shall not freely transfer, set security interests or otherwise dispose of the Company’s ordinary shares allotted under the allotment agreement for a certain period of time specified in the allotment agreement.
- In the allotment agreement, (1) if a Director retires or resigns during the transfer restriction period, the Company shall acquire all of the restricted shares without consideration unless otherwise such the retirement or resignation is admitted by Board of Directors that it has justifiable reasons such as expiration of terms of office, death or others, and (2) if a Director retires or resigns due to expiration of term, death or other reasons deemed justified by Board of Directors during the service provision period, the Company shall rationally adjust the number of shares for which the restrictions will be

released and the timing of the release as necessary and acquire the restricted shares which the restrictions will not be released free of charge, will be included.

- The number of restricted share-based compensation to be delivered shall be the number of shares of the Company's ordinary shares, which is the amount of restricted share-based compensation for each position divided by the closing price of the market price of the Company's ordinary share on the day before the allotment resolution by Board of Directors.

#### **8) Medium-term performance-based share compensation (Long-term incentives)**

- Medium-term performance-based share compensation, which is a long-term incentive compensation, will be a trust-type share compensation system that has the nature of performance share (performance-based share compensation) for Directors (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 medium to long term.
- The trust period for the fiscal year covered by the mid-term business plan (hereinafter, the "Target Period," and the initial Target Period is 5-year business plan (fiscal 2021-fiscal 2025)) will be set.
- The number of shares of the Company, etc. to be delivered, etc. to the Target Directors & Officers shall be determined at a certain time every year based on share delivery points calculated by multiplying the number of points accumulated over a Target Period, which are awarded according to their position, by the performance-based coefficient. The performance-based coefficient shall be determined within the range between 0% and 200% according to the degree of achievement of targets of the Company's performance indicators set forth for the final fiscal year of the Target Period (For the initial Target Period, revenue, core operating profit ratio before research and development expenses, ROE, research and development progress, ESG indicators, and relative TSR set forth in Daiichi Sankyo's 5-year business plan announced in fiscal 2021 shall be adopted), and one ordinary share in the Company per point shall be delivered. During the trust period, if a share split of the Company's ordinary shares (including a gratis allotment of the Company's ordinary shares) or a share consolidation occurs, or if there is any other reason that requires adjustment of the number of points, Daiichi Sankyo will adjust the number of points in a reasonable range as necessary according to the split or consolidation ratio. The total number of ordinary shares, etc. of the Company to be delivered to the Target Directors & Officers during the Target Period will be limited to the number obtained by multiplying the maximum number of 0.5 million shares per fiscal year by the number of fiscal years of the Target Period (the initial Target Period is 2.5 million shares for the five fiscal years). As a general rule, when the Target Directors & Officers receive the Company's shares, etc., after their retirement, 50% of the shares to be delivered will be converted into money and be provided for the purpose of allocating to tax payment funds such as withholding income tax. Shares and monetary payments will be provided through the executive compensation BIP (Board Incentive Plan) trust of Mitsubishi UFJ Trust and Banking Corporation.
- With justifiable reason, when it is not possible to establish the trust, amend the trust agreement, make additional contribution to the Trust, or when Target Directors & Officers are non-resident of Japan, or with any other justifiable reason, that delivery of the Company's Shares, etc. to Target Directors & Officers from the trust is not possible, the Company may, within the upper limit of money to be contributed by the Company, make monetary payments of the amount reasonably calculated based on the number of the Company's Shares, etc. that should be delivered in accordance with the plan and share price, etc., to Target Directors & Officers.\*

\* On the condition that the Fifth Proposal described on page 26 of the Convocation Notice is approved.



Index for the achievement of targets	Evaluation ratio	Evaluation coefficient fluctuation range	Targets (set with the following as a guide)
Revenue	20%	0%-200%	Upper limit: Target * 110% Target: Expected value announced about 5-year business plan Lower limit: Target * 90%
Core operating profit ratio before research and development expenses	20%	0%-200%	Upper limit: Target * 120% Target: Expected value announced about 5-year business plan Lower limit: Target * 80%
ROE	20%	0%-200%	Upper limit: Target * 140% Target: Expected value announced about 5-year business plan Lower limit: Target * 60%
Research and development progress	15%	0%-200%	Research and development achievements (number of new indications for 3ADC on the market, pipeline value in the early and late stages)
ESG indicators	10%	0%-200%	Evaluation based on Dow Jones Sustainability Indices, FTSE Russell and Access to Medicine
Relative TSR	15%	0%-200%	Upper limit: Comparison result with TOPIX including dividend * 150% Target: Comparison result with TOPIX including dividend * 100% Lower limit: Comparison result with TOPIX including dividend * 50%
Total	100%	0%-200%	

#### 9) Clawback provision

- The Company will set forth a clawback clause that can request for the refund of part or all of the compensation received for annual performance-based bonuses and medium-term performance-based share compensation by the resolution of Board of Directors after consultation with the Compensation

Committee in the event that a material accounting error or fraud, or record of a significant impairment loss occurs.

- This clause will be applied from the fiscal 2021 annual performance-based bonus and medium-term performance-based share compensation and will be applied for all periods thereafter.

#### **10) Compensation governance and decision-making process**

- The Compensation Committee has been established as an advisory body to Board of Directors to ensure the appropriateness of compensation for Directors and the Corporate Officers and the transparency of the decision-making process. The Compensation Committee consists of only Outside Directors, with one Outside Audit & Supervisory Board Member participating as an observer, and the chairperson is appointed by mutual election of the members.
- The Compensation Committee fully discusses the compensation system, the composition of the compensation, verification and review of compensation levels for each position, target setting and result confirmation of annual performance-based bonuses and medium-term performance-based share compensation, and allocation of restricted share.
- The amount of compensation for each individual Director of the Company is first deliberated by the Compensation Committee, and then based on the deliberation results, each type of the compensation will be determined by a resolution of Board of Directors within the total amount of compensation resolved at the General Meeting of Shareholders.

As stated in the above policy, the Compensation Committee has fully deliberated about verifications and reviews of the compensation system, the composition of the compensation, and compensation level for each position, set targets and results of performance-based compensation, and the allocation of the restricted share. The content of individual compensation for Directors in the current fiscal year is also decided by Board of Directors after being first deliberated by the Compensation Committee. Board of Directors of the Company judges that the content of the Company's compensation governance is in line with the above-mentioned policy regarding decisions of the content of individual compensation for Directors.

#### **(9) Decision Policy regarding the Content of Individual Compensations of Audit & Supervisory Board Members**

The outline of the decision policy regarding the content of individual compensations of Audit & Supervisory Board Members is as follows.

- Compensation to Audit & Supervisory Board Members is only fixed and basic in view of the role of management oversight and no position to take charge of business execution.
- The level of basic compensation is set aiming to provide medium to high level compensations in the industrial circle, referring to the levels of other companies learned from the surveys of external specialist institutions. Specifically, a group of companies is selected for comparison from the top 100 listed companies on the Tokyo Stock Exchange with the largest market capitalization. The Company also refers to the levels of other leading domestic pharmaceutical companies.
- The amount of the compensation for each individual Audit & Supervisory Board Member has been determined through the discussions and with the unanimous consent in Audit & Supervisory Board meetings within the total amount of compensation approved by the General Meeting of Shareholders.

#### **(10) Basic Policy regarding Moves toward Large-Scale Acquisition of Company's Shares**

- The Company believes that it is the shareholders to decide whether or not to respond to any moves toward large-scale acquisition of shares of the Company. The Company does not deny the potentially significant impact that transfers of management control may have in terms of stimulating business enterprise. In line with this thinking, the Company has not prepared any specific takeover defenses.
- Nonetheless, the Company would consider it a self-evident duty of the Company management to oppose any takeover plans whose aims were generally considered inappropriate (such as schemes to ramp up the share price) or that would otherwise be deemed detrimental to the corporate value or the mutual interests of shareholders. Accordingly, the Company will continue monitoring closely share

transactions and changes in shareholders. In the event any moves toward large-scale acquisition of Company share are noticed, the Company would evaluate any takeover proposal with outside experts and determine carefully the impact of such on the corporate value and the mutual interests of shareholders. If any proposal were deemed detrimental to such interests, the Company would institute appropriate anti-takeover measures in response to individual cases.

## **(Reference) Board Evaluation for Fiscal 2021**

The Company has conducted board evaluation every fiscal year in order for Board of Directors and Directors themselves to assess their current status and identify issues to be addressed, while continuously making efforts to improve the functions and effectiveness of its Board of Directors. In fiscal 2021, the Company conducted a board evaluation by a third-party organization for the first time.

### <Implementation method of the board evaluation>

Concerning contents and items for evaluating the effectiveness of Board of Directors as a whole, a questionnaire and interview by a third-party organization aimed for all Directors and Audit & Supervisory Board Members were conducted. The analyses thereof and results of the evaluation have been reported to the Company by the third-party organization. Board of Directors has discussed the analyses and contents of evaluation by the third-party organization, status of improvement from the previous fiscal year, issues and matters for improvement for the functions and effectiveness of Board of Directors, and improvement measures.

### <Results of the board evaluation for fiscal 2021>

The evaluation, as reported by the third-party evaluation organization, has concluded that in terms of its roles, responsibilities, operation and composition, Board of Directors of the Company, as well as the Nomination Committee and the Compensation Committee, which are advisory bodies to Board of Directors, are functioning appropriately, and that the effectiveness of Board of Directors as a whole has been ensured and is functioning at a high level. In addition, the Company confirmed that improvements are being made by efforts in fiscal 2021 on items specified in the evaluation of the fiscal 2020 that need improvement.

### <Priority measures for fiscal 2022>

Based on this evaluation, the Company endeavors to ensure and improve the functions and effectiveness of its Board of Directors. To such end, Board of Directors will work on the following priority measures in fiscal 2022:

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

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

\*Please see the Company's website regarding details of the Board Evaluation for fiscal 2021.

<https://www.daiichisankyo.com/investors/shareholders/meetings/>

**Consolidated Statement of Financial Position (IFRS)**  
(As of March 31, 2022)

(Millions of yen)

Account	16th Fiscal Period (for reference)	17th Fiscal Period
<b>[ASSETS]</b>		
<b>Current assets</b>		
Cash and cash equivalents	380,547	662,477
Trade and other receivables	232,036	266,675
Other financial assets	444,368	181,368
Inventories	200,860	217,910
Other current assets	10,607	16,838
Total current assets	1,268,420	1,345,271
<b>Non-current assets</b>		
Property, plant and equipment	265,281	304,070
Goodwill	77,706	83,555
Intangible assets	172,822	163,884
Investments accounted for using the equity method	1,440	1,425
Other financial assets	139,991	131,509
Deferred tax assets	128,525	138,173
Other non-current assets	30,990	53,513
Total non-current assets	816,757	876,131
<b>Total assets</b>	<b>2,085,178</b>	<b>2,221,402</b>

Note: Figures are rounded down to the nearest million Japanese yen.

(Millions of yen)

Account	16th Fiscal Period (for reference)	17th Fiscal Period
<b>[LIABILITIES AND EQUITY]</b>		
<b>Current liabilities</b>		
Trade and other payables	297,499	324,784
Bonds and borrowings	20,391	20,394
Other financial liabilities	9,359	10,766
Income taxes payable	6,096	6,910
Provisions	6,051	6,795
Other current liabilities	14,173	25,616
Total current liabilities	353,571	395,268
<b>Non-current liabilities</b>		
Bonds and borrowings	163,441	143,067
Other financial liabilities	36,983	42,615
Post-employment benefit liabilities	3,929	2,624
Provisions	8,741	18,290
Deferred tax liabilities	17,516	12,444
Other non-current liabilities	228,941	256,219
Total non-current liabilities	459,553	475,262
<b>Total liabilities</b>	<b>813,125</b>	<b>870,530</b>
<b>[EQUITY]</b>		
<b>Equity attributable to owners of the Company</b>		
Share capital	50,000	50,000
Capital surplus	94,494	-
Treasury shares	(261,252)	(37,482)
Other components of equity	111,479	168,147
Retained earnings	1,277,332	1,170,208
Total equity attributable to owners of the Company	1,272,053	1,350,872
<b>Total equity</b>	<b>1,272,053</b>	<b>1,350,872</b>
<b>Total liabilities and equity</b>	<b>2,085,178</b>	<b>2,221,402</b>

Note: Figures are rounded down to the nearest million Japanese yen.

**Consolidated Statement of Profit or Loss (IFRS)**  
**(From April 1, 2021 to March 31, 2022)**

(Millions of yen)

Account	16th Fiscal Period (for reference)	17th Fiscal Period
Revenue	962,516	1,044,892
Cost of sales	338,289	353,328
<b>Gross profit</b>	<b>624,227</b>	<b>691,563</b>
Selling, general and administrative expenses	333,079	358,309
Research and development expenses	227,353	260,228
<b>Operating profit</b>	<b>63,795</b>	<b>73,025</b>
Financial income	12,916	6,114
Financial expenses	2,755	5,753
Share of profit (loss) of investments accounted for using the equity method	168	129
<b>Profit before tax</b>	<b>74,124</b>	<b>73,516</b>
Income taxes	(1,705)	6,543
<b>Profit for the year</b>	<b>75,830</b>	<b>66,972</b>
<b>Profit attributable to:</b>		
Owners of the Company	75,958	66,972
Non-controlling interests	(127)	-

Note: Figures are rounded down to the nearest million Japanese yen.

**Non-Consolidated Balance Sheet (Japanese GAAP)**  
(As of March 31, 2022)

(Millions of yen)

Account	16th Fiscal Period (for reference)	17h Fiscal Period
<b>[ASSETS]</b>	<b>1,589,239</b>	<b>1,638,011</b>
I. Current assets	887,558	885,232
Cash and time deposits	370,915	482,479
Trade notes receivable	223	203
Accounts receivable - trade	173,209	193,617
Securities	189,983	39,998
Merchandise and finished goods	76,318	66,441
Raw materials	41,020	47,276
Prepaid expenses	2,830	2,877
Short-term loans receivable	2,025	4,545
Accounts receivable - other	25,617	26,372
Other current assets	7,589	23,823
Provisions for doubtful accounts	(2,175)	(2,405)
II. Non-current assets	701,680	752,778
Property, plant and equipment	81,326	80,914
Buildings and structures	57,287	55,762
Machinery	717	618
Vehicles, tools, furniture and fixtures	7,643	7,822
Land	14,816	14,206
Construction in progress	862	2,504
Intangible assets	20,599	21,613
Patent rights	343	280
Software	2,238	1,539
Others	18,018	19,793
Investments and other assets	599,753	650,251
Investment securities	61,788	53,383
Shares in subsidiaries and associates	269,777	281,993
Investments in capital of subsidiaries and associates	106,040	106,040
Long-term loans receivable	15,863	47,518
Prepaid pension costs	25,536	27,454
Deferred tax assets	89,388	88,953
Others	31,489	45,037
Provisions for doubtful accounts	(131)	(130)
<b>Total</b>	<b>1,589,239</b>	<b>1,638,011</b>

Note: Figures are rounded down to the nearest million Japanese yen.



(Millions of yen)

Account	16th Fiscal Period (for reference)	17th Fiscal Period
<b>[LIABILITIES]</b>	<b>641,473</b>	<b>707,744</b>
I. Current liabilities	292,625	334,668
Accounts payable - trade	38,125	32,850
Short-term borrowings	36,059	39,481
Accounts payable - other	81,803	82,429
Accrued expenses	40,490	64,019
Income taxes payable	1,016	1,717
Consumption taxes payable	2,975	4,724
Deposit received	65,718	70,009
Contract liabilities	18,225	24,340
Contingency reserve	-	1,219
Provisions for environmental measures	1,015	-
Other current liabilities	7,194	13,875
II. Non-current liabilities	348,848	373,076
Bonds	120,000	120,000
Long-term borrowings	41,000	21,000
Long-term accounts payable - other	325	305
Contract liabilities	175,101	206,319
Provisions for environmental measures	6,558	16,032
Other non-current liabilities	5,863	9,420
<b>[NET ASSETS]</b>	<b>947,766</b>	<b>930,266</b>
I. Shareholders' equity	919,688	907,703
Share capital	50,000	50,000
Capital surplus	655,620	432,337
Legal reserve	179,858	179,858
Other capital surplus	475,762	252,478
Retained earnings	475,320	462,849
Other retained earnings	475,320	462,849
Reserve for advanced depreciation of property, plant and equipment	5,267	4,969
Retained earnings carried forward	470,052	457,880
Treasury shares	(261,252)	(37,482)
II. Valuation and translation adjustments	27,039	21,740
Net unrealized gain or loss on investment securities	27,039	21,217
Deferred gains or losses on hedges	-	523
III. Subscription rights to shares	1,038	822
<b>Total</b>	<b>1,589,239</b>	<b>1,638,011</b>

Note: Figures are rounded down to the nearest million Japanese yen.

**Non-Consolidated Statement of Income (Japanese GAAP)**  
**(From April 1, 2021 to March 31, 2022)**

(Millions of yen)

Account	16th Fiscal Period (for reference)	17th Fiscal Period
Net sales	701,000	754,007
Cost of sales	268,034	266,117
Gross profit	432,965	487,890
Selling, general and administrative expenses	393,312	477,733
Operating income	39,652	10,157
Non-operating income	49,047	41,179
Interest income	191	213
Interest on securities	32	23
Dividend income	42,772	32,362
Rental income	3,965	3,821
Foreign exchange gains, net	1,565	4,278
Other non-operating income	518	481
Non-operating expenses	4,156	3,648
Interest expenses	602	426
Interest on bonds	1,127	1,076
Cost of rental income	1,940	1,666
Depreciation of idle non-current assets	32	10
Other non-operating expenses	453	468
Ordinary income	84,543	47,688
Extraordinary gains	1,887	4,961
Gain on sales of non-current assets	2	3,703
Gain on sales of investment securities	1,409	933
Other extraordinary gains	475	325
Extraordinary losses	15,947	11,483
Loss on disposal of non-current assets	602	554
Provision for contingent loss	-	1,219
Provisions for environmental measures	-	9,474
Loss compensation	15,000	-
Other extraordinary losses	345	235
Income before income taxes	70,484	41,167
Income taxes - current	(1,351)	(867)
Income taxes - deferred	(9,166)	2,761
Net income	81,002	39,273

Note: Figures are rounded down to the nearest million Japanese yen.

**Translation of a report originally issued in Japanese**

**Independent Auditor's Report**

May 16, 2022

The Board of Directors  
Daiichi Sankyo Company, Limited

KPMG AZSA LLC  
Tokyo Office, Japan

Kanako Ogura  
Designated Limited Liability Partner  
Engagement Partner  
Certified Public Accountant

Michiaki Yamabe  
Designated Limited Liability Partner  
Engagement Partner  
Certified Public Accountant

Masahiro Emori  
Designated Limited Liability Partner  
Engagement Partner  
Certified Public Accountant

**Opinion**

We have audited the consolidated financial statements, which comprise the consolidated statement of financial position, the consolidated statement of profit or loss, the consolidated statement of changes in equity and the related notes of Daiichi Sankyo Company, Limited. ("the Company") and its consolidated subsidiaries (collectively referred to as "the Group"), as at March 31, 2022 and for the year from April 1, 2021 to March 31, 2022 in accordance with Article 444-4 of the Companies Act.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position and the results of operations of the Group for the period, for which the consolidated financial statements were prepared, in accordance with the latter part of Article 120-1 of the Regulation on Corporate Accounting that prescribes some omissions of disclosure items required by International Financial Reporting Standards.

**Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Emphasis of Matter**

We draw attention to Note 3 to Consolidated Statement of Financial Position (3) Contingent Liabilities 2) Litigations a. Judgement Action related to Proprietary Antibody Drug Conjugate Technology with Seagen Inc. (formerly Seattle Genetics, Inc.). The Company filed a Declaratory Judgement action in the District Court of Delaware in November 2019 in response to receiving communications from Seagen Inc., claiming certain intellectual property rights related to Daiichi Sankyo's antibody drug conjugate (ADC) products with respect to a collaboration between the two companies for the development of ADCs. On the other hand, Seagen Inc. applied for an arbitration on the objection in November 2019 and thereafter the arbitration procedure has been in progress. Although the Company does not currently recognize any obligation to Seagen Inc., the Company may need to make payments depending on the results of the arbitration or other proceedings. Our opinion is not modified in respect of this matter.

**Other Information**

The other information comprises the business report and its supplementary schedules. Management is responsible for the preparation and presentation of the other information. Corporate auditors and the board of corporate auditors are responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the reporting process for the other information.

Our opinion on the financial statements and the accompanying supplementary schedules does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements and the accompanying supplementary schedules, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the accompanying supplementary schedules or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

**Responsibilities of Management, Audit & Supervisory Board and Its Members for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the latter part of Article 120-1 of the Regulation on Corporate Accounting that prescribes some omissions of disclosure items required by International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with the latter part of Article 120-1 of the Regulation on Corporate Accounting that prescribes some omissions of disclosure items required by International Financial Reporting Standards and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Audit & Supervisory Board and its members are responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the Group's financial reporting process.

**Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The selection and application of audit procedures depends on the auditor's judgment.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures in the consolidated financial statements are in accordance with the latter part of Article 120-1 of the Regulation on Corporate Accounting that prescribes some omissions of disclosure items required by International Financial Reporting Standards, the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with Audit & Supervisory Board and its members regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Audit & Supervisory Board and its members with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

**Interest required to be disclosed by the Certified Public Accountants Act of Japan**

We do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

**Translation of a report originally issued in Japanese**

**Independent Auditor's Report**

May 16, 2022

The Board of Directors  
Daiichi Sankyo Company, Limited

KPMG AZSA LLC  
Tokyo Office, Japan

Kanako Ogura  
Designated Limited Liability Partner  
Engagement Partner  
Certified Public Accountant

Michiaki Yamabe  
Designated Limited Liability Partner  
Engagement Partner  
Certified Public Accountant

Masahiro Emori  
Designated Limited Liability Partner  
Engagement Partner  
Certified Public Accountant

**Opinion**

We have audited the financial statements, which comprise the non-consolidated balance sheet, the non-consolidated statement of income, the non-consolidated statement of changes in net assets and the related notes, and the accompanying supplementary schedules ("the financial statements and others") of Daiichi Sankyo Company, Limited ("the Company") as at March 31, 2022 and for the year from April 1, 2021 to March 31, 2022 in accordance with Article 436-2-1 of the Companies Act.

In our opinion, the financial statements and others referred to above present fairly, in all material respects, the financial position and the results of operations of the Company for the period, for which the financial statements and others were prepared, in accordance with accounting principles generally accepted in Japan.

**Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements and Others* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Emphasis of Matter**

We draw attention to Note 3 to Non-Consolidated Balance Sheet (2) Contingent Liabilities 2) Litigations a. Judgement Action related to Proprietary Antibody Drug Conjugate Technology with Seagen Inc. (formerly Seattle Genetics, Inc.). The Company filed a Declaratory Judgement action in the District Court of Delaware in November 2019 in response to receiving communications from Seagen Inc., claiming certain intellectual property rights related to Daiichi Sankyo's Antibody Drug Conjugate (ADC) products with respect to a collaboration between the two companies for the development of ADCs. On the other hand, Seagen Inc. applied for an arbitration on the objection in November 2019 and thereafter the arbitration procedure has been in progress. Although the Company does not currently recognize any obligation to Seagen Inc., the Company may need to make payments depending on the results of the arbitration or other proceedings. Our opinion is not modified in respect of this matter.

**Other Information**

The other information comprises the business report and its supplementary schedules. Management is responsible for the preparation and presentation of the other information. Corporate auditors and the board of corporate auditors are responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the reporting process for the other information.

Our opinion on the financial statements and others does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements and others, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the accompanying supplementary schedules or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

**Responsibilities of Management, Audit & Supervisory Board and Its Members for the Financial Statements and Others**

Management is responsible for the preparation and fair presentation of the financial statements and others in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of financial statements and others that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and others, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan.

Audit & Supervisory Board and its members are responsible for overseeing the directors' performance of their duties with regard to the design, implementation and maintenance of the Company's financial reporting process.

**Auditor's Responsibilities for the Audit of the Financial Statements and Others**

Our objectives are to obtain reasonable assurance about whether the financial statements and others as a whole are free

from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements and others.

As part of our audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements and others, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The selection and application of audit procedures depends on the auditor's judgment.
- Obtain an understanding of internal control relevant to the audit at the time of risk assessment in order to design audit procedures that are appropriate in the circumstances, while the objective of the audit is not to express an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements and others or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate whether the presentation and disclosures in the financial statements and others are in accordance with accounting standards generally accepted in Japan, the overall presentation, structure and content of the financial statements and others, including the disclosures, and whether the financial statements and others represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with Audit & Supervisory Board and its members regarding, among other matters, the planned scope and timing of the audit, significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Audit & Supervisory Board and its members with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

**Interest required to be disclosed by the Certified Public Accountants Act of Japan**

We do not have any interest in the Company which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.



## Translation of a report originally issued in Japanese

### AUDIT REPORT

In the following report, we, Audit & Supervisory Board, have prepared the results of consultation based on the Audit Reports compiled by each Audit & Supervisory Board Member, with respect to the audit of the performance of duties by Directors during the 17th business year from April 1, 2021 to March 31, 2022.

#### 1. Auditing methods used by Audit & Supervisory Board Members and Audit & Supervisory Board, and details of audit

- (1) Audit & Supervisory Board specified the audit standard, and the audit policy and the audit plan for the 17th fiscal year ended March 31, 2022, and received reports on the status and results of the audit carried out by each Audit & Supervisory Board Member based on said standard, policy and plan, as well as received reports from Directors and accounting auditors on the status of the execution of their duties and asked them for explanations as needed.
- (2) Each Audit & Supervisory Board Member, according to the audit standard set up by Audit & Supervisory Board described in (1), has maintained good communications with Directors, the audit division and employees of other divisions, and strived to collect information and improve the audit environment. We have executed the audit based on the following methods.
  - 1) Each Audit & Supervisory Board Member attended meetings of Board of Directors and other meetings as deemed important, received from Directors and employees reports on the execution of their duties, asked for explanations as necessary, perused the documents whereby the important decisions were made, and examined business and financial conditions at the head office and its major business offices. With regard to subsidiaries, in addition to maintaining good communications and exchanging information with Directors, Audit & Supervisory Board Members and others of the subsidiaries of the Company, and, as needed, receiving from the subsidiaries reports on their business conditions, Audit & Supervisory Board of the Company, for each domestic subsidiary, received reports from Audit & Supervisory Board Members of the subsidiary concerning the audit results. Also, full-time Audit & Supervisory Board Members of the Company concurrently served as part-time Audit & Supervisory Board Members of principal domestic subsidiaries. They attended Board of Directors meetings and Management Executive Meetings of those companies, perused important approval document and other such documentation, sought explanations as necessary, and checked those companies' status of the establishment and implementation of their internal control systems.
  - 2) We have monitored and verified the details of the resolution made by Board of Directors concerning the establishment of systems defined in Article 100, Paragraph 1 and Paragraph 3 of the Regulation for Enforcement of the Companies Act as what is necessary for ensuring compliance with laws and regulations and the Company's Articles of Incorporation in the execution of duties by Directors, which are described in the Business Report, and for ensuring the proper operation of the Group consisting of the Company and its subsidiaries. We have also monitored and verified the status of the systems established based on the said resolution (internal control systems) by periodically receiving from Directors and employees reports on the status of development and operation of such systems.
  - 3) We have received from the accounting auditors' reports on the execution of their duties and asked them for explanations as necessary. We were reported by the accounting auditors that "systems for ensuring proper execution of duties" (listed in each item of Article 131 of the Regulation on Corporate Accounting) have been established in accordance with the Quality Control Standards Concerning Audit (Business Accounting Council, October 28, 2005), etc., and asked them for explanations as necessary. We have monitored and verified whether the accounting auditors maintain independency and properly implement audit.

In light of the audit conducted based on methods mentioned above, we have reviewed the Business Report, their supplementary schedules, financial statements (non-consolidated balance sheet, non-consolidated statement of income, non-consolidated statement of changes in net assets and notes to non-consolidated financial statements), their supplementary schedules and consolidated financial statements (consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of changes in equity and notes to consolidated financial statements) for the said fiscal year.

#### 2. Results of Audit

- (1) Results of audit of the Business Report, etc.
  - 1) We consider that the Business Report and their supplementary schedules fairly present the situation of the Company in accordance with relevant laws and regulations and the Company's Article of Incorporation.
  - 2) With respect to the performance of duties by Directors, we have found neither undue transactions nor material facts that violate relevant laws and regulations or the Company's Article of Incorporation.
  - 3) We consider that the details of the resolution made by Board of Directors concerning internal control systems are proper. With respect to the details described in the Business Report and the performance of duties by Directors regarding the said internal control systems, we have found no items to be pointed out.
- (2) Results of audit of financial statements and their supplementary schedules  
We consider that the auditing methods and results of the Company's Accounting Auditors, KPMG AZSA LLC, are proper.
- (3) Results of audit of consolidated financial statements  
We consider that the auditing methods and results of the Company's Accounting Auditors, KPMG AZSA LLC, are proper.

May 19, 2022

Audit & Supervisory Board of Daiichi Sankyo Company, Limited

Full-time Audit & Supervisory Board Member	Ryoichi Watanabe (Seal)
Full-time Audit & Supervisory Board Member	Kenji Sato (Seal)
Outside Audit & Supervisory Board Member	Tateshi Higuchi (Seal)
Outside Audit & Supervisory Board Member	Yukiko Imazu (Seal)
Outside Audit & Supervisory Board Member	Masako Watanabe (Seal)