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Daiichi Sankyo Announces Disposal of Treasury Shares as Restricted Share-Based Remuneration

Tokyo, Japan (June 15, 2020) – Daiichi Sankyo Company, Limited (hereafter “Daiichi Sankyo”) announced that, at a meeting of its Board of Directors held today, it decided to dispose of its treasury shares as restricted share-based remuneration as follows (hereafter, “Disposal of Treasury Shares” or “Disposal”).

1. Overview of the Disposal of Treasury Shares

(1) Disposal date	July 14, 2020
(2) Class and number of shares to be disposed	Ordinary shares of Daiichi Sankyo; 30,559 shares
(3) Disposal value	¥ 8,832 per share
(4) Total disposal value	¥ 269,897,088
(5) Recipients of disposed shares	Daiichi Sankyo’s Members of the Board (excluding Members of the Board (Outside): 5 persons, 10,413 shares Daiichi Sankyo’s Corporate Officers: 21 persons, 20,146 shares
(6) Other	Disposal of Treasury Shares is conditioned on the taking effect of the securities registration statement filed in accordance with the Financial Instruments and Exchange Act.

2. Purpose of and Reasons for the Disposal

Daiichi Sankyo resolved, at a meeting of its Board of Directors held on April 28, 2017, to introduce a restricted share-based remuneration plan (the “Remuneration Plan”) in order to provide an incentive for Daiichi Sankyo’s Members of the Board excluding Members of the Board (Outside) (“Eligible Members of the Board”) to sustainably increase Daiichi Sankyo’s corporate value and in order to further promote shared values with shareholders, as a new remuneration plan for Daiichi Sankyo’s Eligible Members of the Board and its Corporate Officers not concurrently serving as Members of the Board (“Eligible Members of the Board etc.”). Moreover at the 12th Ordinary General Meeting of Shareholders held on June 19, 2017, it was approved that monetary compensation not exceeding 140 million yen per year (excluding the amount of employee’s salary paid to a Member of the Board who concurrently holds an employee post) shall be paid to Eligible Members of the Board as monetary compensation to serve as the property to be contributed for acquisition of shares with transfer and other restrictions (“restricted shares”) pursuant to the Remuneration Plan and that the transfer restriction period for restricted shares shall be the period specified by the Board of Directors of Daiichi Sankyo, which is a period between three to five years from the day on which such shares are allotted.

In addition, at the 15th Ordinary General Meeting of Shareholders held today, it was approved that the transfer restriction period for restricted shares shall be changed into the period until the time immediately after resignation or retirement of Eligible Members of the Board from the day on which such shares are allotted to promote shared value between shareholders for as long as possible.

An overview of the Remuneration Plan and other relevant details are shown below.

Overview of the Remuneration Plan

Under the Remuneration Plan, Eligible Members of the Board etc. shall pay in, every year in principle, all monetary compensation receivables or monetary receivables provided by Daiichi Sankyo in the form of property contributed in kind, in accordance with the resolution by Daiichi Sankyo’s Board of Directors, and shall, in return, receive Daiichi Sankyo’s ordinary shares to be issued or those subject to the Disposal.

In addition, under the Remuneration Plan, the total number of ordinary shares that Eligible Members of the Board receive by issuance or Disposal by Daiichi Sankyo shall be no more than 70,000 shares per year (provided, however, that if Daiichi Sankyo performs a share split (except that in the event of a share split with respect to Daiichi Sankyo’s ordinary shares (including the allotment of shares without contribution), a reverse share or any other event involving the necessity to adjust the number of shares, the number of shares to be issued or those subject to the Disposal may be adjusted as needed and to the extent reasonable according to the split or reverse split ratio) and the paid-in amount per share shall be determined by the Board of Directors based on the closing price of Daiichi Sankyo’s ordinary shares on the First Section of the Tokyo Stock Exchange on the business day immediately preceding the date of each resolution by the Board of Directors (or the closing price on the transaction day immediately prior thereto if no transaction is made on such business day) or any other amount within the extent that the amount will not be particularly advantageous to Eligible Members of the Board who will subscribe Daiichi Sankyo’s ordinary shares under

the Remuneration Plan.

Furthermore, the issuance or Disposal of Daiichi Sankyo's ordinary shares under the Remuneration Plan shall be subject to a restricted share allotment agreement (the "Allotment Agreement") to be entered into by and between Daiichi Sankyo and each Eligible Member of the Board etc., as outlined in "Overview of the Allotment Agreement" below. The Allotment Agreement shall include the following provisions: (1) Eligible Members of the Board etc. are prohibited from transferring, creating any security interest on, or otherwise disposing of Daiichi Sankyo's ordinary shares that have been received by allotment under the Allotment Agreement (the "Allotted Shares") for a specified period, and (2) Daiichi Sankyo shall acquire the said ordinary shares without contribution in the case where specified events happen.

On this occasion, after considering the results of deliberation of the Compensation Committee, of which Members of the Board (Outside) form a majority, the purpose of the Remuneration Plan, the scope of duties of each Eligible Member of the Board etc., and other factors, Daiichi Sankyo has decided to grant a total of 269,897,088 yen as the monetary compensation receivables and monetary receivables (the "Monetary Compensation Receivables"), and 30,559 ordinary shares.

With the Disposal of Treasury Shares 26 Eligible Members of the Board etc., the planned allottees of shares, shall pay in all of the Monetary Compensation Receivables, which are claims against Daiichi Sankyo, in the form of property contributed in kind for acquisition of the restricted shares for the 16th fiscal year of Daiichi Sankyo (April 1, 2020 to March 31, 2021), and shall receive the Disposal of Daiichi Sankyo's ordinary shares pursuant to the Remuneration Plan.

Overview of the Allotment Agreement

(1) Transfer restriction period:

The period extending to the time immediately after resignation or retirement of the positions that are a Member of the Board of the Company or its Corporate Officer not concurrently serving as a Member of the Board from July 14, 2020 (the "Disposal Date")

(2) Lifting of transfer restrictions of shares

Eligible Member of the Board etc. must continue to be in either Daiichi Sankyo's Members of the Board or its Corporate Officers not concurrently serving as Members of the Board position during the period from the Disposal Date to the time immediately before the closing of the first Ordinary General Meeting of Shareholders after the Date (In the case of a Corporate Officer not concurrently serving as a Member of the Board, the period shall be replaced the one from the first date of the fiscal year including the date to which the Allotted Shares are allocated to the last date of the fiscal year.) (the "Period of Service").

(3) Treatment when an Eligible Member of the Board etc. resigns or retires from the post during the Period of Service due to the expiry of term of office, attainment of retirement age, or other justifiable reason

(i) Timing of lifting transfer restrictions

In the event that an Eligible Member of the Board etc. resigns or retires from the position of Daiichi

Sankyo's Member of the Board or its Corporate Officer not concurrently serving as Member of the Board (including resignation or retirement by death) during the transfer restriction period due to the expiry of term of office, attainment of retirement age, or other justifiable reason, the transfer restrictions shall be lifted at the time immediately after the resignation or retirement.

(ii) Number of shares whose transfer restrictions are lifted

The number of shares whose transfer restrictions are lifted shall be calculated by multiplying the number resulting when the number from the month including the Disposal Date (In the case of a Corporate Officer not concurrently serving as a Member of the Board, the month shall be replaced the one including the first date of the fiscal year including the date to which the Allotted Shares are allocated.) to the month including the date when Eligible Member of the Board etc. resigns or retires is divided by 12 (if that number exceeds 1, then make it 1) by the number of Allotted Shares held at the time of resignation or retirement prescribed in "i" above (provided, however, fractional shares less than the number of shares per unit share will be dropped from the number of shares obtained by the calculation).

(4) Acquisition without contribution by Daiichi Sankyo

Daiichi Sankyo shall, by rights, acquire without contribution any Allotted Shares on which the transfer restrictions have not been lifted at the time of expiration of the transfer restriction period or the time of lifting of the transfer restrictions prescribed in (3) above.

(5) Management of shares

The Allotted Shares shall be managed in dedicated accounts at Nomura Securities Co., Ltd. opened by each Eligible Member of the Board etc. to ensure it is not possible to transfer, create any security interest on, or otherwise dispose of the shares during the transfer restriction period. Daiichi Sankyo has entered into an agreement with Nomura Securities Co., Ltd. concerning management of the accounts of the Allotted Shares that are held by each Eligible Member of the Board etc. to ensure the effectiveness of the transfer restrictions, etc. relating to the Allotted Shares. In addition, the Eligible Members of the Board etc. have agreed to the details of the management of the accounts.

(6) Treatment during reorganization, etc.

If an agenda item regarding a merger agreement in which Daiichi Sankyo is the disappearing company, or a share exchange agreement or share transfer plan in which Daiichi Sankyo becomes a wholly owned subsidiary of another company, or other matters concerning reorganization, etc. have been approved at Daiichi Sankyo's General Meeting of Shareholders (or by Daiichi Sankyo's Board of Directors if approval for the said reorganization, etc. at Daiichi Sankyo's General Meeting of Shareholders is not required) during the transfer restriction period, the relevant transfer restrictions will be lifted, based on the resolution of the Board of Directors, upon the time immediately before the preceding business day of the effective date of the reorganization, etc. on the number of Allotted Shares calculated as follows: For Eligible Members of the Board, the number of shares will be calculated by multiplying the number

resulting when the number of months from the month including the Disposal Date (In the case of a Corporate Officer not concurrently serving as a Member of the Board, the month shall be replaced the one including the first date of the fiscal year including the date to which the Allotted Shares are allocated.) through the month including the date of the relevant approval is divided by 12 (if that number exceeds 1, then make it 1) by the number of Allotted Shares held at that time (provided, however, fractional shares less than the number of shares per unit will be dropped from the number of shares obtained by the calculation). Immediately after the transfer restriction has been lifted, the Company shall, by rights, acquire without contribution any Allotted Shares on which the transfer restriction has not been lifted.

3. Basis of Calculation and Specific Details of the Payment Amount

The Disposal of Treasury Shares to the planned allottees is carried out by using monetary compensation receivables or monetary receivables provided to them as restricted share-based remuneration for the 16th fiscal period of Daiichi Sankyo pursuant to the Remuneration Plan, as property contributed in kind. To eliminate any arbitrariness in the disposal value, the closing price for ordinary shares of Daiichi Sankyo on June 12, 2020 (the business day immediately preceding the date of resolution by the Board of Directors) on the First Section of the Tokyo Stock Exchange of ¥ 8,832 is used as the disposal value. This value is deemed to be rational and not particularly favorable because it is the market share price on the day immediately preceding the date of resolution by the Board of Directors.

(Reference) Management Flow of Restricted Shares (RS) under the RS System

