Passion for Innovation.
Compassion for Patients.™

Daiichi-Sankyo

Daiichi Sankyo Group Value Report 2020

Contents

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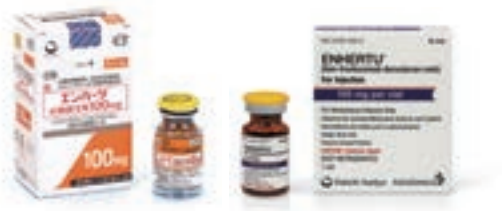


Editorial Policy

Daiichi Sankyo began publishing Value Reports, its brand of integrated reports, in fiscal 2013. These reports are positioned as a communication tool for helping shareholders, investors understand the Company's efforts to improve its long-term corporate value and realize a sustainable society.

For the latest information on the Company's activities, please refer to the Company's website, which includes a variety of contents, including financial results summaries and videos of briefing sessions for investors.

Company's website

https://www.daiichisankyo.com/

Period Covered

April 1, 2019–March 31, 2020 (FY2019) and also information for the period from April 2020 onward

Cautionary Note Regarding Forward-Looking Statements

Management strategies and plans, financial forecasts, future projections and policies, and R&D information that Daiichi Sankyo discloses are all classified as "Daiichi Sankyo's future prospects." These forward-looking statements were determined by Daiichi Sankyo based on information obtained as of today with certain assumptions, premises and future forecasts, and thus, there are various inherent risks as well as uncertainties involved. As such, please note that actual results of Daiichi Sankyo may diverge materially from Daiichi Sankyo's outlook or the content of this material.

Message from the CEO

We will contribute to the enrichment of quality of life around the world by leveraging our strength.

Sunao Manabe
Representative Director,
President and CEO

Dear stakeholders, I would like to begin by expressing my sincere gratitude for your continued support and understanding regarding our business.

First, I would like to extend my heartfelt sympathy to all those affected by novel coronavirus disease (COVID-19). I would also like to express my genuine gratitude to healthcare professionals and all those who are at the forefront of medical care to prevent further spread of infection, and help to bring the pandemic to an end.

We are taking initiatives to increase our long-term corporate value and to achieve a sustainable society by contributing to the enrichment of quality of life around the world.

I hope that this Value Report will help our stakeholders understand how we are addressing social issues and what benefit we aim to deliver to society.

Daiichi Sankyo's Value Creation Process

Daiichi Sankyo receives requests from society for various needs, including responding to unmet medical needs*, providing a stable supply of quality pharmaceuticals, improving access to pharmaceuticals, and handling environmental, social, and governance (ESG) issues.

In response to the diverse needs of society, we leverage our various management resources, including financial, manufacturing, and human capitals, and take advantage of our strengths in science & technology, global organization & talent, as well as presence in Japan in order to create and deliver innovative pharmaceuticals to patients. At the same time, we address sustainability issues including social and environmental issues and fulfill our responsibilities, obligations, and other requirements to meet the needs of our stakeholders and society in a well-balanced manner.

We aim to achieve sustainable growth together with society by continuing this cycle of our value creation process.

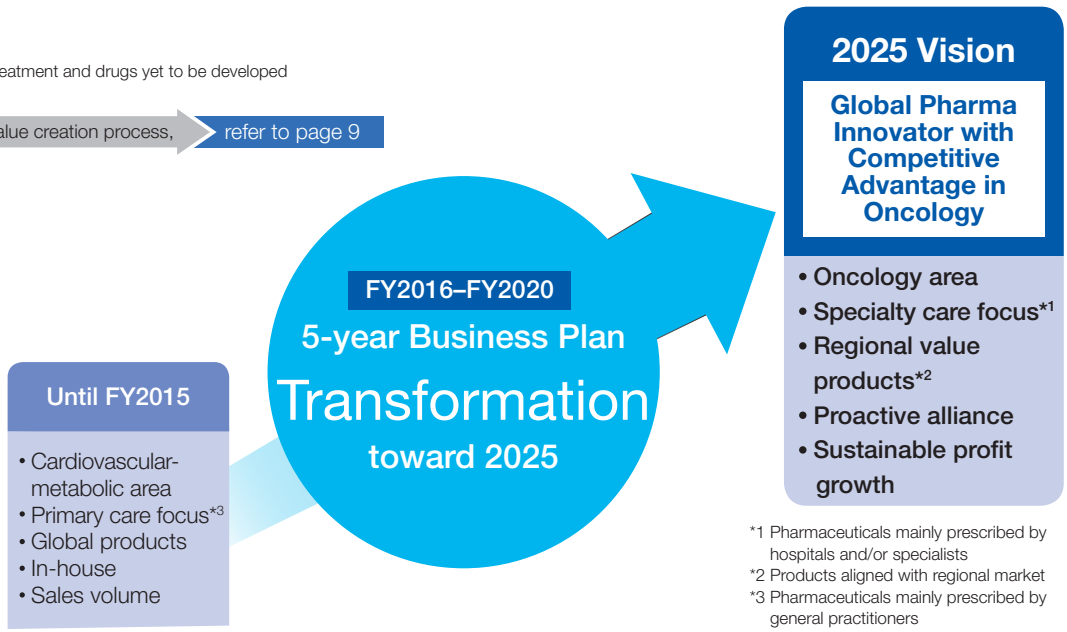
* Medical needs for effective treatment and drugs yet to be developed

For details of value creation process, refer to page 9

Realizing Our 2025 Vision

In March 2016, we determined to make a major transformation in our focus therapeutic area and formulated our 2025 Vision as the ideal future of us 10 years ahead, in light of the increasingly challenging market environment, changes in growing segments of the market, and the future potential of our in-house pipeline and product portfolio.

In order to create innovative pharmaceuticals and to meet unmet medical needs by taking advantage of our strengths, we have defined our 2025 Vision of becoming a "Global Pharma Innovator with Competitive Advantage in Oncology." To achieve this vision, we formulated the current 5-year business plan covering the period between FY2016 and FY2020.



Message from the CEO

Achievements during the Current 5-year Business Plan Period

The most significant achievement during the current 5-year business plan period was the launch of *ENHERTU* (generic name: *trastuzumab deruxtecan*; project code number: *DS-8201*) in the U.S. and Japan in 2020, and the start of contribution to patients. The product is indicated for the 3rd-line treatment of HER2 positive breast cancer.

For *ENHERTU*, we formed a strategic collaboration with AstraZeneca in March 2019 for co- development / co-promotion. We are working to maximize the product value of *ENHERTU* through an effective partnership with AstraZeneca. As presented at the American Society of Clinical Oncology (ASCO) in 2020, we are making steady progress towards seeking approval of other indications. We are also making good progress in our effort to expand the markets following the initial approvals in the U.S. and Japan, including the acceptance of the application in Europe in June 2020.

ENHERTU is a HER2 directed antibody drug conjugate (ADC) using our proprietary technologies. We have six other ADCs using the same technologies as *ENHERTU* and the most advanced projects *DS-1062* and *U3-1402* are also progressing well.

We also formed a strategic collaboration with AstraZeneca for *DS-1062* in July 2020, which is similar to the collaboration for *ENHERTU* in terms of structure, and are accelerating the development to maximize its product value. In addition, we will continue to strive to optimize resource allocation across the pipeline which potential is growing steadily, including *U3-1402*, to facilitate efforts for sustainable growth.

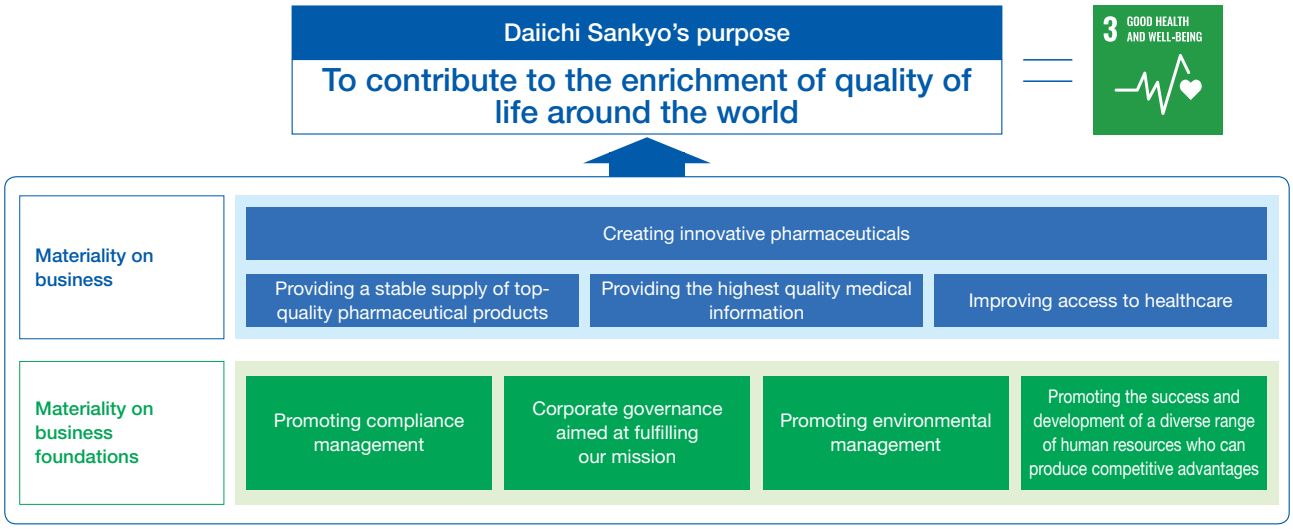
As described above, the steady progress in the development and commercialization of 3 ADCs enhances our expertise and organizational strength in the oncology area at a rapid rate, and we now believe that we can achieve our 2025 Vision. Meanwhile, our ex-Japan business growth scenarios have become clearer, including the regrowth of our U.S. business and the growth in Europe, Asia, and South & Central America businesses through product portfolio expansion.

Looking back, there was a time when we were unsuccessful in creating innovative new drugs because we lacked capacity to achieve required levels in research, and our development failed to proceed as planned, particularly in late-stage development in the U.S. During that time, our management team continued to trust in our capabilities to create new drugs, and continued R&D investment. I believe that the continuous investment based on trust led to the creation of our ADCs. I recognize once again that continuing the cycle of our value creation process is a key driver of sustainable growth, as I mentioned at the beginning of my message.

Daiichi Sankyo's Purpose

Our mission is "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."

Our purpose in society is "To contribute to the enrichment of quality of life around the world". We reaffirmed that creating innovative pharmaceuticals on an ongoing basis and meeting unmet medical needs would remain our top priority for the purpose. Our purpose is also consistent with Goal 3: "Ensure healthy lives and



promote well-being for all at all ages" of the Sustainable Development Goals (SDGs) established by the United Nations.

Key Issues (Materiality) for Sustainable Growth

In light of the above purpose, we have identified key issues (materiality) to be addressed for sustainable growth considering both expectations from diverse stakeholders and society, and importance based on the impact on our mid-to-long-term corporate value enhancement.

Specifically, "creating innovative pharmaceuticals", "providing a stable supply of top-quality pharmaceutical products", "providing the highest quality medical information" and "improving access to healthcare" are the "materiality on business." We will continue to address these issues by taking advantage of our strengths. We have identified "promoting compliance management", "corporate governance aimed at fulfilling our mission", "promoting environmental management" and "promoting the success and development of a diverse range of human resources who can produce competitive advantages" as "materiality on business foundations" to support business-related materiality. We will work to achieve sustainable growth by addressing these eight materiality.

For details of materiality, refer to page 13

Strengthening Corporate Governance

In recent years, there have been a growing social demand and expectation from society for strengthened corporate governance to prevent corporate fraud and improve corporate value through sound management. In addition, as we continue to expand our pipeline and product portfolio and pursue sustainable growth, management becomes more sophisticated and complex. Therefore, it is essential to strengthen corporate governance to ensure more effective and efficient management.

To strengthen corporate governance, we place emphasis on building a corporate governance structure whereby we can secure legal compliance and management transparency, strengthen the oversight of management and the conduct of operations, and respond to the trust of our shareholders and other stakeholders.

During the current 5-year business plan period, we have increased the percentages of outside directors and female director to get more diverse input into our business. In June 2020, we appointed an external Member of the Board as Chairman of the Board to facilitate the separation of execution and supervision and to increase the independence, objectivity, and transparency of the Board of Directors. We will remain committed to further strengthening corporate governance in order to ensure the sustainable improvement of corporate value.

For details of corporate governance, refer to page 19

Risk Management

There is a growing demand and expectation from society to establish and operate a risk management system to analyze risks inherent in corporate activities more accurately and address the risks appropriately in order to ensure the sustainable improvement of corporate value. Furthermore, risk management has become of increasing importance to us as we expand our pipeline and product portfolio.

In order to ensure the appropriate management of potential risks associated with corporate activities, we have established a risk management system that aligns with the cycle of formulating and executing business plans. In that context, we have prepared a business continuity plan (BCP) to continue our operations in the event of a disaster or another incidence that may affect our business, and put a crisis management system in place to minimize loss should a risk greater than expected occurs. In addition, we modify and improve our risk management measures, as needed, in the course of the operation of risk management system.

For example, by expanding our oncology business, the business structure and operating regions will become larger and broader, and the complexity of potential risks in corporate activities will increase. We estimate and analyze the impact and likelihood of ever-changing risks accurately, and formulate and execute countermeasures. In this way, we minimize the impact of occurring risks to ensure the sustainable improvement of corporate value.

For details of risk management, refer to page 33

Message from the CEO

Actions against COVID-19

The unexpected COVID-19 pandemic is spreading like wildfire around the world. To fulfill our mission as a pharmaceutical company, we are taking measures in accordance with the BCP prepared for spread of novel influenza. We are continuing a stable supply of pharmaceutical products and clinical development that meet the high unmet medical needs in oncology and other areas, while working to prevent infection among employees and other stakeholders and reduce the burden on healthcare professionals.

With our purpose in mind, and as a pharmaceutical company that has strength in science and technology and vaccine business infrastructure, we leverage collaborations with external organizations and pursue research and development of vaccines and treatments for COVID-19, which are urgently needed in society.

Furthermore, the concern about twindemic, simultaneous spread of COVID-19 and seasonal influenza, is growing and the importance of influenza vaccination is increasing. In this situation, we are also working to increase the production and supply of influenza vaccines.

The recent spread of COVID-19 has demonstrated the significant impact to the economy that can occur without the existence of appropriate countermeasures against infectious diseases. We will continue research and development of vaccines as one of key preventive care measures. For anti-infective agents, it is difficult to undertake development independently considering the management resources required. There is a need for a system and structure to combine the strengths and experiences of multiple pharmaceutical companies, and we will play a role in this respect.

Also, the unexpected pandemic provided an opportunity to reaffirm the significance of ESG and SDGs for the sustainable growth of society. We will have more in-depth discussions on ESG and SDGs initiatives, and we will include more specific descriptions of our future direction in the next 5-year business plan.

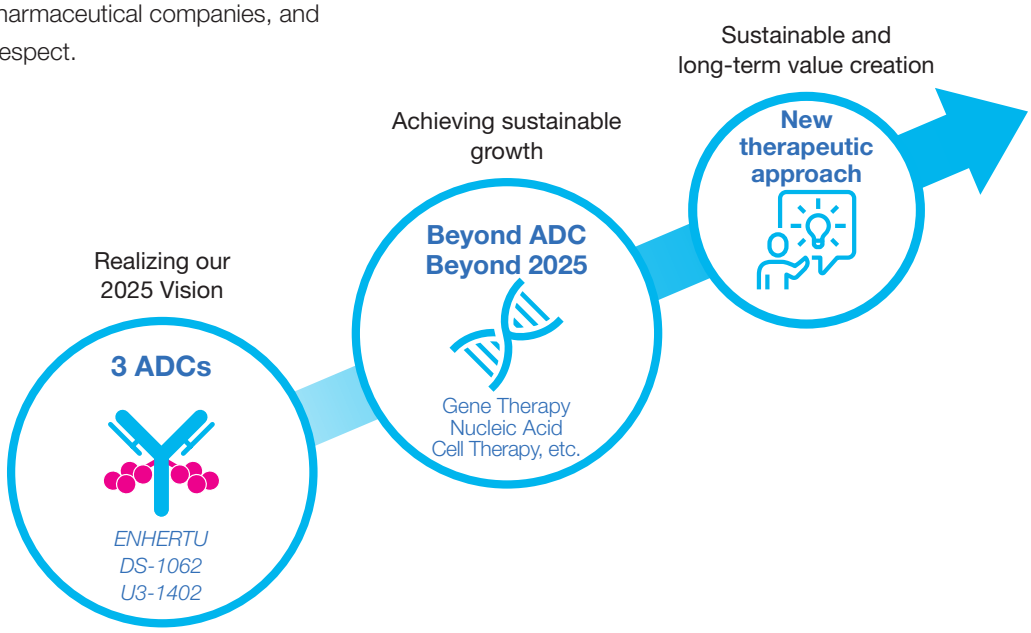
For details of actions against COVID-19, refer to page 43

Creating the Next 5-year Business Plan

We are creating the next 5-year business plan covering the period between FY2021 and FY2025 to ensure the realization of our 2025 Vision. The plan will be disclosed to our stakeholders in March or April of 2021. The next 5-year business plan has 2 pillars: maximizing the value of our 3 lead ADCs, and strengthening the overall pipeline and product portfolio to achieve sustainable growth.

We believe that the potential of *ENHERTU* is even higher than previously expected. We intend to develop it into a mainstay product that will drive the entire 5-year business plan. In addition, we will enhance the strategy to maximize the value of *DS-1062* and *U3-1402*, for which positive clinical data have been obtained. We will work to deliver the 3 ADCs to as many patients as possible as fast as we can to strengthen our base to become the world's number one ADC Company.

In order to achieve sustainable growth, we will enhance our pipeline to grow beyond 2025 and beyond ADCs. The commercialization of our ADC took more than 10 years. In a mid-term perspective, we will aim to create innovative pharmaceutical products using new modalities



and technologies, such as gene therapy, nucleic acid, and cell therapy by taking advantage of our strengths in science and technology.

Toward Sustainable and Long-term Value Creation

From a longer-term perspective, I expect that digital transformation will change the world drastically, and the latest medical care and therapeutic approaches needed by patients will become more accessible and more easily available. In this respect, we should remain committed to being a company that deliver therapeutic solutions with new modalities.

I believe that digital technology, in a broader sense, will be positioned as a new modality for us. In other words, we do not intend to focus on digital health itself, and instead, we consider digital technology as one of modalities to be used in the development of innovative products, or to be used in combination supportively in providing therapeutic solutions.

In the internet industry, the GAFA* is dominating markets, and music that used to be available in a form of analog records and CDs is now easily available at low cost through streaming media services, but the need for creators, such as composers and songwriters remains unchanged. Similarly, no matter how far digital transformation advances, science and technology for creating therapeutic approach will be necessary. By playing the role, we will contribute to the enrichment of quality of life around the world.

*Four leading tech companies (Google, Amazon, Facebook, and Apple)

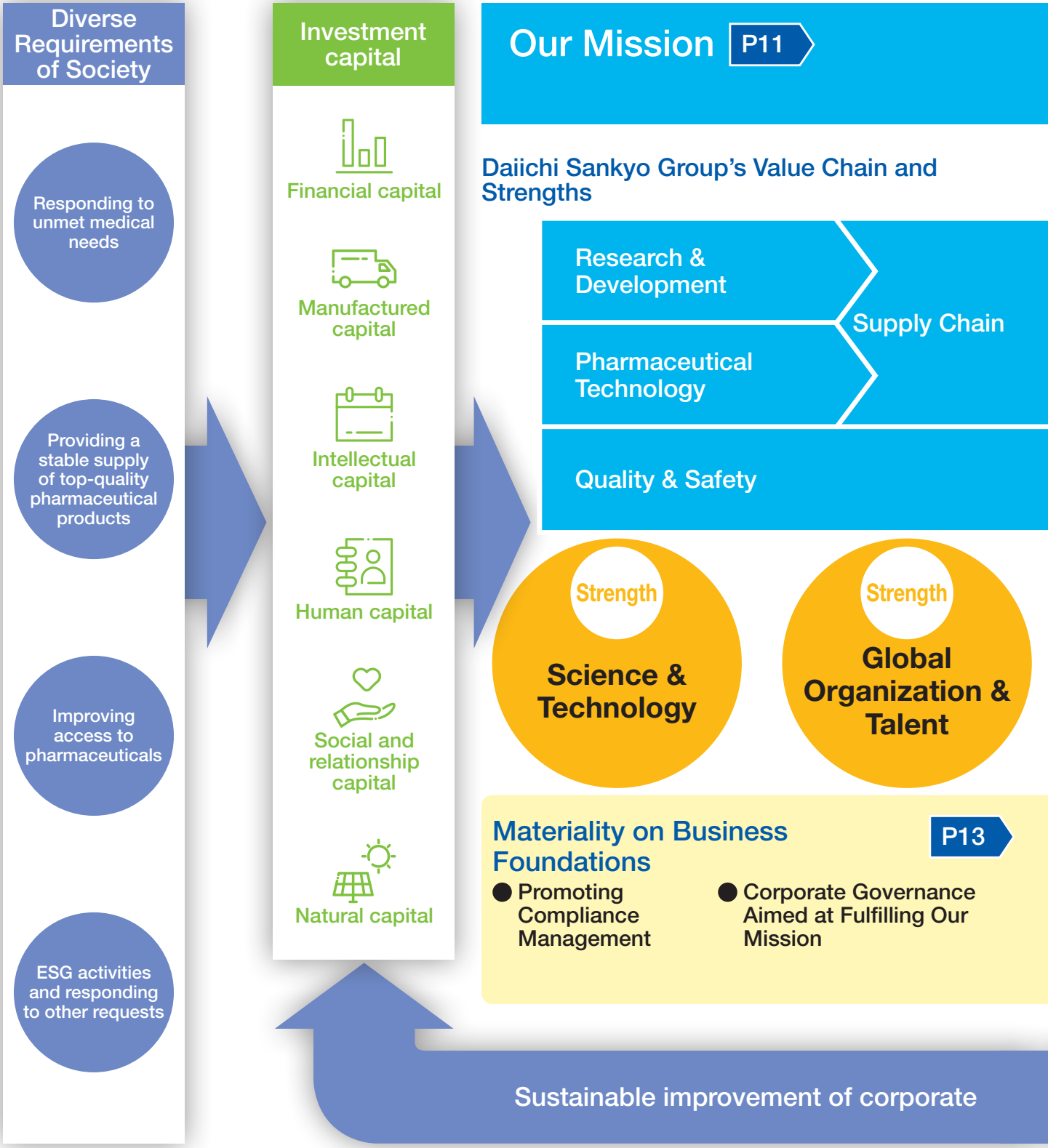
In Closing

Our greatest strengths are the creation of new medicines for patients through full use of leading-edge science and technology and the human resources that support it. We will contribute to patients, and ultimately, to society as a whole and the future by taking advantage of these strengths. We will remain committed to achieving our mission by leveraging our collective strength. I appreciate your continued support.

Daiichi Sankyo's Value Creation Process

Daiichi Sankyo receives a wide range of requests from society for responding to unmet medical needs,*1 providing a stable supply of top-quality pharmaceutical products, improving access to pharmaceuticals,*2 and environment, social, and governance (ESG) activities, all of which contribute to the Sustainable Development Goals (SDGs). We work on efforts to enhance our long-term corporate value, as well as initiatives to realize a sustainable society, through leveraging various capitals (i.e., financial, manufactured, intellectual, human, social and relationship, and natural capital).

The basis of our value creation is our sustainability initiative, which includes 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, while taking advantage of



our strengths in Science & Technology, Global Organization & Talent, and Presence in Japan, as well as to address social and environmental issues. For the materiality of these activities (high-priority issues), we have identified materiality issues related to: (i) business including creation of innovative pharmaceuticals; and (ii) our business foundations, such as governance and environmental management.
By continuing this cycle of our value creation process, we will sustainably improve our corporate value, and we will provide the values in a well-balanced manner to our stakeholders and society, including patients, their families, healthcare professionals, our shareholders and investors, business partners, employees, local communities and natural environment.

*1 Medical needs for effective treatment and drugs yet to be developed *2 Pharmaceuticals needed by patients being delivered sufficiently and consistently

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.

Sales & Marketing

Medical Affairs

Strength

Presence in Japan

P17

Materiality on Business

P13

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

- Promoting Environmental Management
- Promoting the Success and Development of a Diverse Range of Human Resources Who Can Produce Competitive Advantages

Value Provided to Stakeholders and Society

Patients and Their Families and Healthcare Professionals

- Innovative medicine changing SOC*
- Improving patients' quality of life (QOL)
- Providing a stable supply of top-quality pharmaceutical products
- Improving community-based healthcare
- Providing the highest quality medical information

* SOC (Standard of Care): Universally applied best treatment practice in today's medical science

Shareholders and Investors

- Stable and sustainable returns to shareholders
- Providing transparent IR information
- Constructive communication

Business Partners

- Fair and free competition
- Appropriate transactions
- Responsible procurement

Employees

- Promoting diversity
- Organizing comfortable work environments
- Providing opportunities for developing skills

Local Communities

- Contributing to the local community through social participation

Natural Environment

- Addressing climate change
- Conserving biodiversity

value through the value creation cycle

Our Mission

The Core Values and Commitments serve as the criteria for business activities and decision-making used by executive officers and employees in working to fulfill Our Mission. Our Corporate Slogan succinctly explains the spirit of Our Mission, Core Values and Commitments.

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.

Core Values

Innovation	the introduction of new ideas, methods, or invention
Integrity	the quality of being honest and of always having high moral principles
Accountability	being responsible for the effects of your actions, and being willing to explain or be criticized for them

Commitments

1. To create innovative medicines changing SOC*
   * SOC (Standard of Care): Universally applied best treatment practice in today's medical science
2. To take a global perspective, and respect regional values
3. To foster intellectual curiosity and strategic insight
4. To provide the highest quality medical information
5. To provide a stable supply of top-quality pharmaceutical products
6. To be an ethical, trusted, and respectful partner
7. To be accountable for achieving our goals
8. To demonstrate professionalism, respect for others, and teamwork

Corporate Slogan

Passion for Innovation. Compassion for Patients.™

In addition, we have established the DAIICHI SANKYO Group Corporate Conduct Charter. This charter calls on us to fulfill our social responsibilities by acting with the highest ethical standards and a good social conscience appropriate for a company engaged in business that affects human lives, and we model our business activities accordingly.

DAIICHI SANKYO Group Corporate Conduct Charter

The DAIICHI SANKYO Group fulfills its 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." We comply with laws, regulations and rules regarding global corporate activities, and act with the highest ethical standards and a good social conscience based on the following 10 principles of this Charter.

In order to actively respond to an ever-changing society, we address social issues and business in an integrated manner. It will enhance our corporate value, fulfill our social responsibilities and contribute to the realization of a sustainable society.

Article 1 **Contribution to healthcare**
We diligently address medical needs by providing beneficial, safe, and reliable pharmaceuticals and services.

Article 2 **Fair business practices**
We respect international norms, diverse cultures and customs, conduct business in a fair manner through free and fair competition, and conduct responsible procurement by complying with laws and regulations in each country and region in which we do business. We maintain productive, positive and professional relationships with our stake-holders, which include medical professionals and governments.

Article 3 **Fair disclosure of information and constructive dialogue with stakeholders**
We actively, effectively and fairly disclose corporate information to the public and engage in an open and constructive dialogue with a wide range of stakeholders.

Article 4 **Respect for human rights**
We conduct business that respects the human rights of all persons.

Article 5 **Enhancement of workplace environment and human resource development**
We respect the diversity of our employees, and seek to include a diversity of thought in our daily work. We are committed to ensuring a healthy and safe working environment and do not tolerate harassment and discrimination. We provide employees the opportunity to develop their skills and abilities for the mutual growth of the individual employee and the corporation.

Article 6 **Information management**
We take necessary measures to manage and protect personal information, business partner information as well as other confidential information of Daiichi Sankyo and others.

Article 7 **Engagement in environmental issues**
Environmental challenges are universally critical to all of mankind. We responsibly manage the environmental impact of our operations and include our efforts for a better environment in our corporate activities and our very survival.

Article 8 **Involvement in community and contribution to its development**
We are actively involved in community activities and contribute to its development as a good corporate citizen.

Article 9 **Thorough crisis and emergency management**
We adhere to crisis and emergency management in the face of actions by antisocial forces, terrorism, cyber-attacks, natural disasters, pandemics and other significant issues that may threaten the order or safety of civil society and the corporate activity.

Article 10 **Role of executives and implementation of this Charter**
Executives of the DAIICHI SANKYO Group actively build and maintain effective governance systems to implement this Charter, ensure it is understood by all Group companies, and encourage behavior based on the principles of this Charter to the business partners of Daiichi Sankyo Group. If the Charter is violated, executives of DAIICHI SANKYO Group Companies take responsibility to respond by determining the cause of infringement, taking corrective action as necessary and making efforts to prevent similar violations in the future.

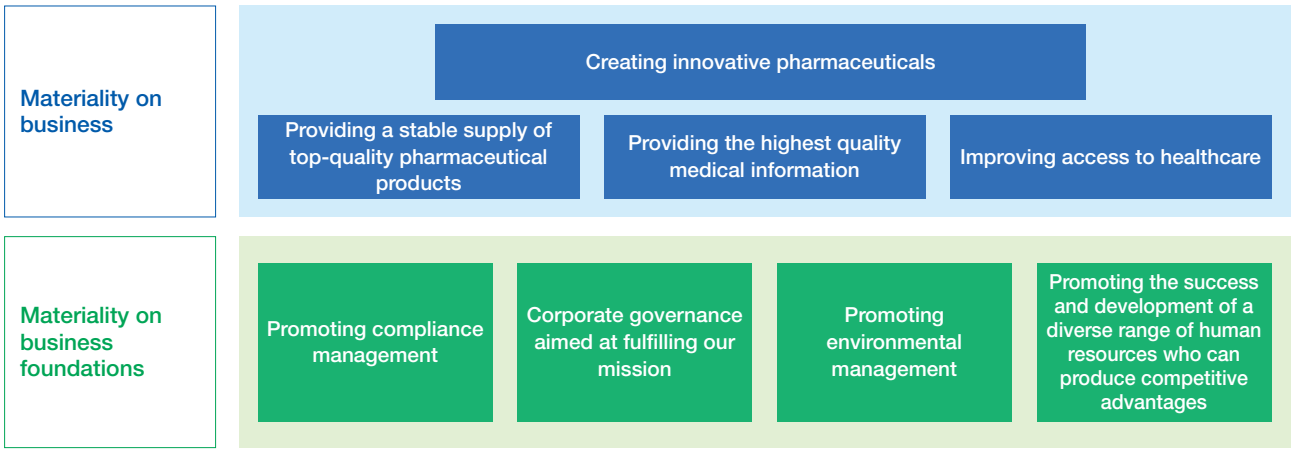
Sustainable Development Goals (SDGs)

In light of the Sustainable Development Goals (SDGs) and other international initiatives, the Group has declared in the DAIICHI SANKYO Group Corporate Conduct Charter that the Group will contribute to the realization of a sustainable society.

Daiichi Sankyo's Materiality

Under the corporate 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", the Daiichi Sankyo Group will deliver value to society and stakeholders through its business operations, while working on the Group's further growth and advancement. In fiscal 2019, the Group identified the following as high-priority issues in our business operations: materiality on business, such as creation of innovative pharmaceuticals; and materiality on business foundations, including governance and environmental management.

Eight Material Issues



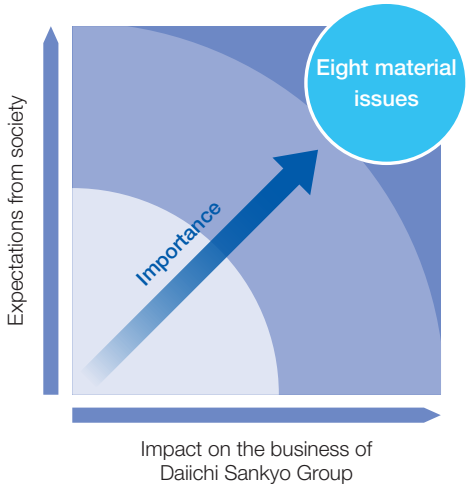
Eight Material Issues for Value Creation

Creating innovative pharmaceuticals, the basis of our value creation, is our top material Issues. Providing a stable supply of top-quality pharmaceutical products, providing the highest quality medical information, and improving access to healthcare are important for delivering pharmaceuticals created through research and development to our patients. To reinforce the foundation of sustainable management, we will promote compliance management, strengthen corporate governance, and promote environmental management, as material issues on business foundations. In addition, we will also continue to promote the success and development of a diverse range of human resources who can produce competitive advantages to the Group's business operations.

Materiality Identification Process

In identifying and sorting material issues, 36 issues were selected from the CSR perspective in fiscal 2015, and these were narrowed down to 21 in fiscal 2018. In fiscal 2019, business and governance perspectives were added to the CSR perspective, and medium-to-long-term initiatives and challenges were extracted in light of their importance based on their impact on the Group's medium-to-long-term corporate value, and expectations from society, including our various stakeholders. Then we prepared a proposal for materiality through discussions with stakeholders. The eight material issues were subsequently identified after two meetings of the Board of Directors.

STEP 1 Address key issues in CSR activities	Extract 36 CSR issues (FY2015) Narrow down issues to 21 (FY2018)
STEP 2 From CSR issues into materiality	Extract medium-to-long-term initiatives and challenges (FY2019) Hold constructive discussions with stakeholders Prepare proposal for material issues
STEP 3 Identify materiality	Identify eight material issues after meetings of Board of Directors (March 2020)



Background and Basic Approach to Materiality Identification

Materiality on Business

Creating innovative pharmaceuticals

The purpose of the Daiichi Sankyo Group is to contribute to the enrichment of quality of life around the world. The Group will remain fully committed to creating innovative pharmaceuticals by leveraging cutting-edgs science and technology and through global and concerted efforts by diverse members in order to meet unmet medical needs and drive the Group's sustainable growth.

For details, refer to page 70

Providing the highest quality medical information

In order to maximize the benefits and minimize the risks of pharmaceuticals, it is necessary to use them properly. In addition to its efforts so far to promote the proper use of pharmaceuticals, the Daiichi Sankyo Group works to provide the highest quality, accurate medical information for its medicines, including those in the field of oncology which especially requires a higher level of clinical expertise and more prompt decision-making.

For details, refer to page 62

Providing a stable supply of top-quality pharmaceutical products

Pharmaceutical companies have a responsibility to provide high-quality pharmaceuticals in an appropriate and stable manner. With an increasing number of products requiring sophisticated manufacturing technologies and appropriate quality control, the Daiichi Sankyo Group has established a robust global production and supply structure to deliver high-quality pharmaceuticals to patients around the world in a stable manner.

For details, refer to page 81

Improving access to healthcare

In addition to taking actions to address unmet medical needs, one of the important missions of pharmaceutical companies is addressing the problem of insufficient access to healthcare caused by various social factors, such as public health, education, and income inequality. To address these issues, the Daiichi Sankyo Group is making effective use of internal and external resources to contribute to improving access to healthcare.

For details, refer to page 49

Materiality on Business Foundations

Promoting compliance management

Robust compliance is essential for the sustainable growth of a company. The Daiichi Sankyo Group is committed to conducting all of its business operations based on the understanding that compliance is more than just adhering to laws, regulations and rules; it involves acting with the highest level of ethics and social consciousness appropriate for a life science-oriented company.

For details, refer to page 51

Promoting environmental management

Various problems have emerged with the progression of global warming, including an increase in natural disasters around the world. The Daiichi Sankyo Group recognizes environmental issues as risk factors that may impact its long-term business activities, and therefore promotes environmental management. The Group aims to achieve sustainable growth of society and businesses through the promotion of environmental management.

For details, refer to page 53

Corporate governance aimed at fulfilling our mission

Establishing a management structure capable of responding speedily and flexibly to changes in the environment is essential for sustainable growth of a company. The Daiichi Sankyo Group will continue to strengthen its oversight functions over management and execution to promote effective corporate governance.

For details, refer to page 19

Promoting the success and development of a diverse range of human resources who can produce competitive advantages

"People" are the most important "asset" of the Daiichi Sankyo Group. We considers it essential to respect the diversity of each and every employee based on our "Human Resources Management Philosophy" to achieve our sustainable growth. We aim to achieve mutual growth between employees and the Group by promoting the success of and development of a diverse range of human resources in order to produce competitive advantages.

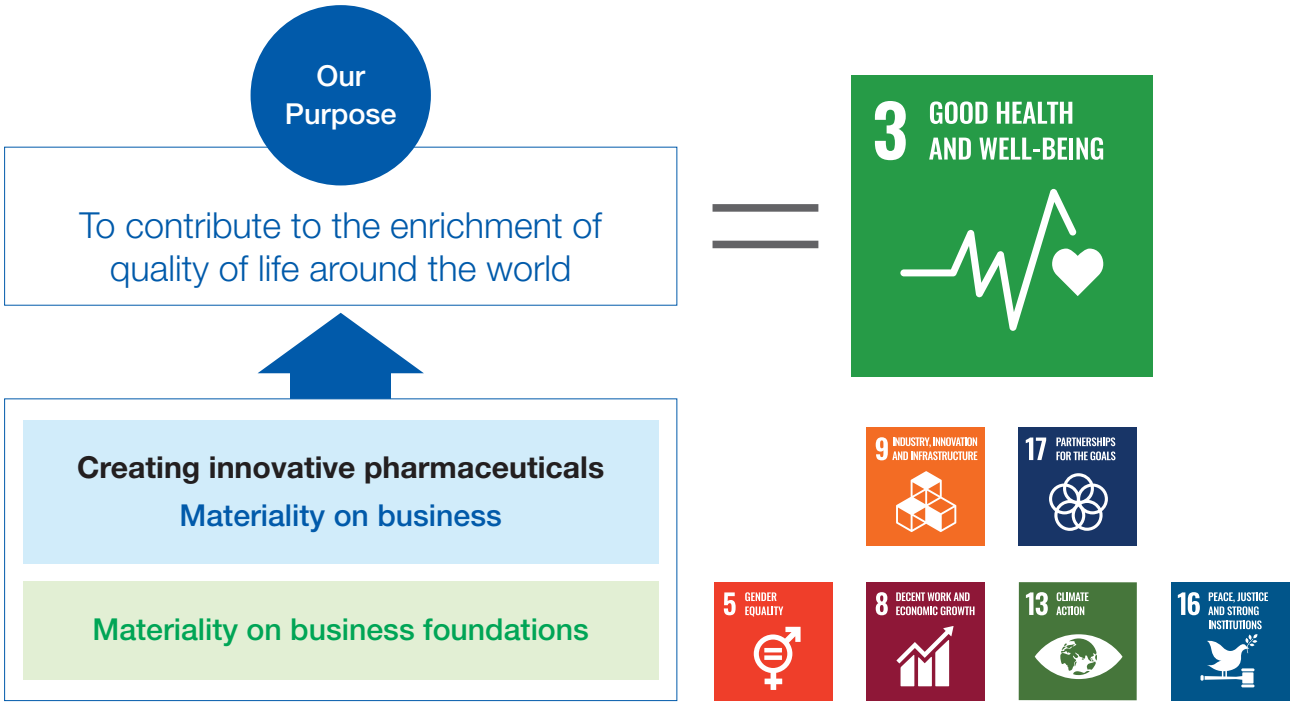
For details, refer to page 57

Daiichi Sankyo's Materiality

Contribution to SDGs through Materiality Initiatives

The Group aims to fulfill its corporate mission through creating innovative pharmaceuticals and other materiality initiatives. The purpose of the Group is "to contribute to the enrichment of quality of life around the world", as defined in Our Mission. This is also consistent with Goal 3: "Good health and well-being" of the Sustainable Development Goals (SDGs) established by the United Nations.

Initiatives for material issues on business contribute to fostering innovations (Goal 9) and revitalizing the global partnership (Goal 17). Initiatives for material issues on business foundations contribute to gender equality (Goal 5), decent work (Goal 8), climate action (Goal 13), peace and justice through compliance (Goal 16), among others.

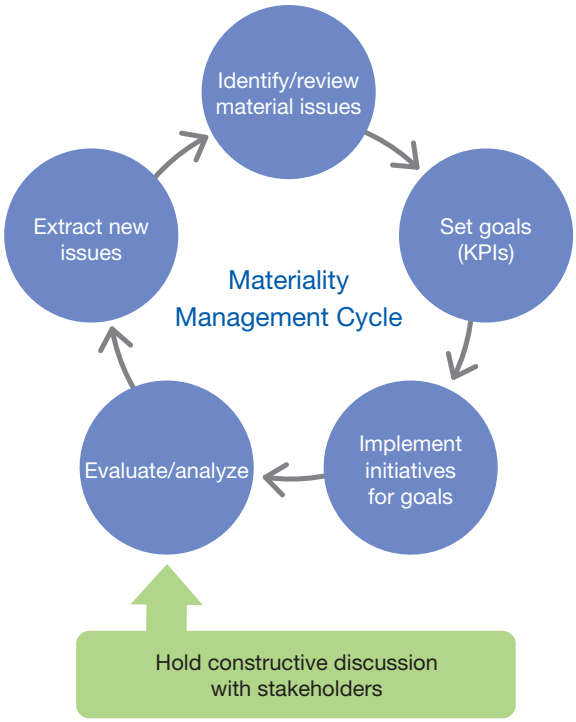


Materiality Management Cycle

We will set goals for each material issue identified and advance specific initiatives. For effective evaluation and analysis, KPIs* will be set, and the progress and achievement of initiatives will be evaluated. In evaluating and analyzing the initiatives, we will consider perspectives from both inside and outside the Group through constructive discussions with various stakeholders, while assessing risks and business opportunities to extract new issues.

We will evaluate the progress and achievement of initiatives each year and check whether we should conduct materiality assessment.

* Key Performance Indicators



Materiality and Examples of Initiatives

Materiality	Examples of Initiatives	SDGs
Creating innovative pharmaceuticals	● Accelerate development and obtain early approval by utilizing expedited regulatory pathways for innovative new drugs ● Advance disease research and create innovative medicines through multi-modality strategy based on cutting-edge science & technology ● Enhance translational research utilizing Omics ● Activate collaborative relationships with academia, biotech and other industries (open innovation) ● Develop R&D human resources capable of working together across boundaries	
Providing a stable supply of top-quality pharmaceutical products	● Development of commercial manufacturing processes to continuously produce high-quality pharmaceuticals through research on drug substances, drug products, and quality evaluation ● Establish a flexible and efficient global manufacturing and supply system (supply chain management) adapted to address changes in the product mix ● Establish a manufacturing and supply system for cutting-edge pharmaceutical products, including *DS-8201* and other ADCs, *Axi-Cel*™, and oncolytic virus ● Guarantee the quality of our products in adherence with GMP, whereby we use a scientifically backed method of managing all processes, from receiving raw materials to manufacturing and shipping products ● Put systems in place to restore operations quickly in the event of an emergency and to ensure a steady supply of pharmaceutical products (including stable procurement of raw materials) with assured quality to help support the continued provision of medical services	
Providing the highest quality medical information	● Promote science-driven global development that maximizes the benefits and minimizes risks of drugs ● Consolidate the management of patient safety information on a global basis and share the results of assessment and analysis with physicians and other healthcare professionals in clinical settings in order to promote the proper use of our products ● Create new information in the real world through clinical research and other efforts to further benefit patients after product launch ● Undertake activities in providing medical information that meets the needs of healthcare professionals including those who engage in team medical care ● Enhance the expertise of call center staff and use artificial intelligence (AI) to respond quickly and appropriately to diverse inquiries from healthcare professionals	
Improving access to healthcare	● Focus on continued initiatives targeting rare diseases ● Promote research and development in the field of infectious diseases and measures against Antimicrobial Resistance (AMR) ● Participate in Access Accelerated, an initiative intended to improve non-communicable diseases (NCDs) in low and lower-middle income countries ● Participate in the Global Health Innovative Technology (GHIT) Fund, a public-private partnership, which aims to encourage drug discovery for combating infectious diseases in developing countries ● Provide mobile clinic services in Myanmar	
Promoting compliance management	● Implement the Daiichi Sankyo Group Employee Code of Conduct ● Enhance global policies related to preventing bribery and corruption ● Promote Ethical marketing practices ● Consider R&D ethics, bioethics, and genetic resources ● Promote compliance and ethics in procurement ● Work on promoting respect for and adherence to human rights	
Corporate governance aimed at fulfilling our mission	● Appoint a Member of the Board (Outside) as Chairman of the Board ● Provide the Members of the Board (Outside) with prior explanation to promote their understanding and enhance discussions at the Board of Directors Meeting ● Enhance the effectiveness of the Board of Directors through the evaluation of the Board of Directors ● Enhance discussions at the Nomination Committee and the Compensation Committee, which are composed solely of Members of the Board (Outside) and the Audit and Supervisory Board (Outside)	
Promoting environmental management	● Improve the efficiency of energy use with the Energy-saving Diagnosis and reduce CO_2 emissions by utilizing renewable energy ● Disclose information in accordance with the Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) ● Improve the credibility of environmental performance data by receiving third-party assurance ● Promote efforts to conserve water resources, such as reducing water consumption by using water reasonably and promoting reuse with purification equipment ● Conduct environmental auditing and optimize the environmental management system to maximize compliance with environmental laws, regulations, and other requirements	
Promoting the success and development of a diverse range of human resources who can produce competitive advantages	● Promote group talent management with a focus on developing and nurturing the next generation leaders ● Promote diversity and inclusion ● Implement initiatives based on action plans for further empowering women ● Promote occupational health and safety and work style reforms ● Promote the “Work-Life Cycle”	

Daiichi Sankyo's Strengths

The Daiichi Sankyo Group is working to sustainably increase its corporate value by leveraging our three strengths which are Science & Technology, Global Organization & Talent, and Presence in Japan.

Science & Technology

The Group has high-quality science and technology cultivated over years of operation as a drug discovery-oriented company. We will continue to seek sustainable growth of the Group by leveraging our science and technology, creating innovative pharmaceuticals on an ongoing basis, and thereby meeting unmet medical needs.

Strong R&D DNA Cultivated Over Years of Operation as a Drug Discovery-Oriented Company

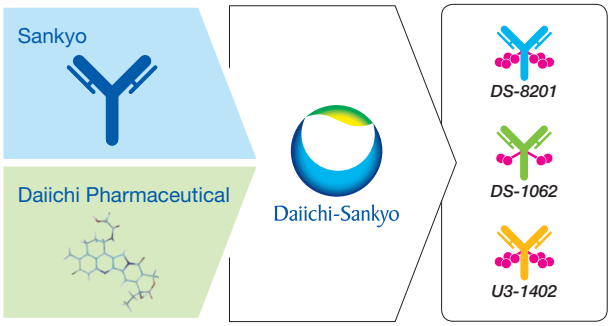
Ever since its founding, the Group has aimed to be a drug discovery-oriented company originating from Japan and focused on in-house drug discovery. During the course of our journey to this end, we have delivered breakthrough proprietarily developed products, such as *pravastatin*, *levofloxacin*, *olmesartan*, and *edoxaban*, to patients around the world. Utilizing this strong R&D DNA, honed and cultivated over years of operation, Daiichi Sankyo Group is committed to the development of innovative pharmaceuticals that will change SOC.*

* SOC (Standard of Care): Universally applied best treatment practice in today's medical science

Cutting-Edge Science & Technology to Create Innovative Pharmaceuticals

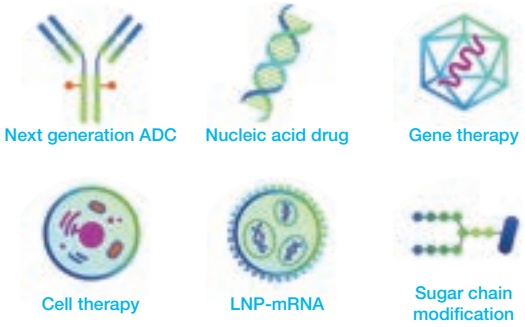
■ Daiichi Sankyo's Proprietary Antibody Drug Conjugate (ADC) Technologies

DS-8201 was created through Daiichi Sankyo's proprietary science and technology. The antibody portion of this drug was created by applying the antibody research and protein engineering capability of the former Sankyo, while the drug payload and linker were born out of the research capabilities of the former Daiichi Pharmaceutical. In order to examine the benefits and issues of the preceding antibody drug conjugates (ADCs) and solve these issues, our researchers screened and optimized combinations of antibodies, linkers, and payloads to ultimately produce the technology we have now. We believe that Daiichi Sankyo's ADCs have been established successfully as a platform technology where a linker and payload can be combined with many different antibodies. There are currently seven ADC projects.



■ Diverse Modality Technologies

The Daiichi Sankyo Group is working on the development and utilization of advanced modality technologies for the creation of innovative pharmaceuticals. We are enhancing our ability to create novel products by utilizing diverse and innovative modality technologies, such as next-generation ADCs, nucleic acid drugs, gene therapy, cell therapy, LNP-mRNA, and sugar chain modification.



■ Powerful Research Engines

In-house drug discovery that leads to business expansion requires researchers with a high degree of specialization and expertise based on a wealth of experience. The Group has established a culture of sharing know-how and deliverables acquired by individual researchers and refining the deliverables. These efforts by our researchers have improved our scientific assessment capabilities, which provide the source of our organizational power. The Group has also fostered a corporate climate to freely exchange views in scientific discussions, regardless of expertise, or position. This culture and corporate climate encourage the pursuit of innovations and research for the creation of innovative pharmaceuticals.

■ Collaboration with Academic Institutions (Open Innovation Activities)

With the aim of efficiently and continuously creating innovative pharmaceuticals that will transform the SOC, the Group is undertaking in-house drug discovery and many other initiatives, including expanding its external drug development network and ensuring diverse sources of innovation. As an example, the Group discovered the anti-ALK2 antibody *DS-6016* through the research collaboration with Professor Katagiri at Saitama Medical University in the open competition grant program TaNeDS. We have been preparing for the start of clinical studies on *DS-6016* as a treatment for a rare disease known as fibrodysplasia ossificans progressiva (FOP), with the support of AMED's CiCLE program.

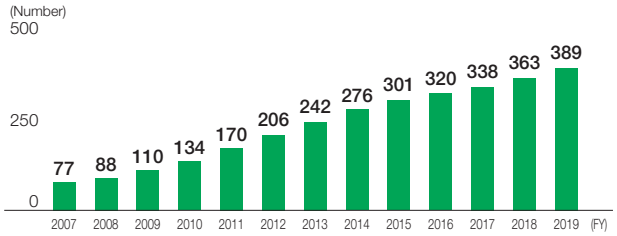
Global Organization & Talent

As a global group, the Group has global human resources with extensive experience, who serve as key players within a diverse global organization. We will continue to work on sustainable growth by capitalizing on the strengths of our global organization and talent, which form the foundation for value creation.

Proactive Acquisition of Global Talent and Development of Future Leaders

The Daiichi Sankyo Group aims for an environment where optimal human resources can achieve success as leaders, regardless of their age or nationality. To this end, we actively acquire and promote human resources with a broad range of experience from both inside and outside of the Group. The Group provides leadership candidates with stretch goals, difficult tasks, and opportunities for overseas transfers and study programs. In addition, we develop their leadership skills and ability to make decisions from a global perspective, through each layer of leadership development training.

Cumulative number of new employees seconded from Japan to overseas Group companies



Global Management System for Facilitating Swift and Accurate Decision-Making

The Group has established a global management system that combines the functional approach in the value chain with the regional approach of business. For example, at GEMRAD,*1 a decision-making body for R&D projects, senior members from the R&D divisions as well as a range of other specialized divisions make swift decisions from the viewpoint of science and business. At the GMC,*2 which is the highest-ranking global committee structure chaired by the CEO, managers responsible for major functions and regions discuss strategies and policies from a company-wide perspective and make appropriate decisions to maximize value creation throughout the Group.

*1 Global Executive Meeting of Research and Development
*2 Global Management Committee

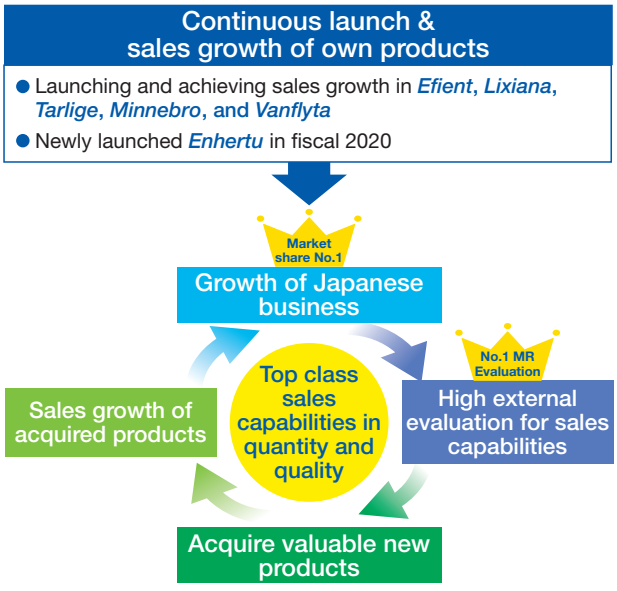
Presence in Japan

The Group provides information on healthcare and pharmaceutical products with integrity. We are recognized by healthcare professionals as a trusted partner. We will continue to drive sustainable growth by further enhancing our presence in Japan, established through our top-class sales capabilities and ongoing efforts to deliver high-quality pharmaceuticals.

Business Model for Sustainable Growth

By continually launching and expanding the sales of proprietarily developed products, Daiichi Sankyo Group works to grow the innovative pharmaceuticals*1 business with a broad portfolio. At the same time, we utilize Daiichi Sankyo Group's superb sales capabilities to acquire licenses for promising products in order to sustain a virtuous cycle that drives further growth. Through this process, we have maintained the No.1 place in terms of pharmaceutical revenue in Japan for four consecutive years*2.

*1 Pharmaceuticals protected during the exclusivity period granted by patents or reexamination period
*2 Based on survey conducted by Encise Inc.



● Acquired *Nexium*, *Memary*, *Pralia/Ranmark*, *Tenelia/Canalia*, *Vimpat*, etc.

Superb Sales Capabilities

The Daiichi Sankyo Group works to meet the wide-ranging needs of healthcare professionals with a multichannel approach*1. As a result, we have been ranked No. 1 for MR evaluation from healthcare professions for eight consecutive years*2. In addition, thanks to our content-rich training programs, all of our MRs have passed the MR certificate test for ten consecutive years.

*1 MR activities and utilizing of lectures, web seminars, Internet and other methods
*2 Based on survey conducted by INTAGE Healthcare Inc.

Four Businesses Responding to Diverse Medical Needs

By leveraging the strength of its innovative pharmaceutical business, Daiichi Sankyo Group engages in four businesses in Japan, including the generic business, the vaccine business, and the OTC-related business. As the No.1 company in Japan in both name and practice, Daiichi Sankyo Group addresses a wide range of medical needs related to areas such as treatment, reduction of medical costs, prevention, and self-medication, making comprehensive contributions to medicine in Japan.

Corporate Governance

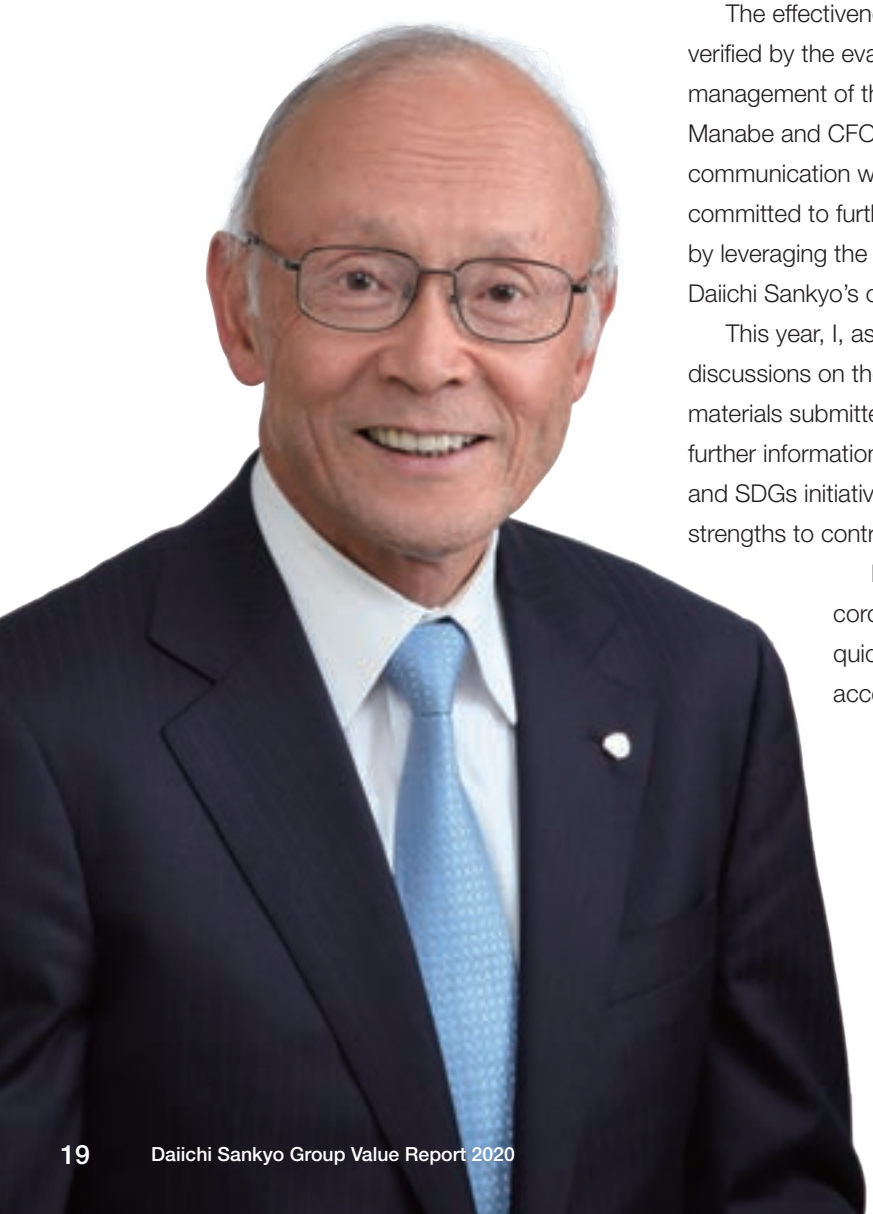
Message from Chairman of the Board

I am committed to working on sustainable improvement of Daiichi Sankyo's corporate value from the outside perspective.

I am honored to be appointed as Chairman of the Board as the successor to the former Chairman Nakayama, and feel a heavy responsibility as the first outside director taking the chair.

I have six years of experience as an outside director at Daiichi Sankyo and understand the Company's business and culture. I would like to contribute to achieving the vision of becoming a "Global Pharma Innovator with competitive advantage in oncology."

Today, the decision-making function for important management issues as well as the supervisory and monitoring functions over execution are essential for the Board of Directors. I understand that the separation of execution and supervision as well as the transparency of management were key points in the appointment of Chairman from the viewpoint of corporate governance.



The effectiveness of the Company's Board of Directors has been verified by the evaluation of the Board of Directors. In the future management of the Board, I will hold full exchanges of views with CEO Manabe and CFO Sai on the executive side and also emphasize communication with inside and outside directors. I will remain committed to further enhancing and invigorating the Board of Directors by leveraging the outside perspective for sustainable improvement of Daiichi Sankyo's corporate value.

This year, I, as the Chairman, will pay a close attention to sufficient discussions on the next 5-year business plan, the enhancement of materials submitted to the Board of Directors, and the provision of further information to outside directors. In addition, I will focus on ESG and SDGs initiatives to ensure that Daiichi Sankyo leverages its strengths to contribute to society's sustainability.

Furthermore, the entire world is seeking a post-corona vision, and the Company needs to respond quickly to major changes in the world, such as acceleration of digital transformation.

Noritaka Uji
Chairman of the Board

Evolution of the Corporate Governance Structure

The Daiichi Sankyo Group builds a management structure that can respond speedily and flexibly. We also secure legal compliance and management transparency, and strengthen oversight of management and the conduct of operations. In this way, we have been advancing the corporate governance structure for achieving our mission.

Since the merger of Sankyo Co., Ltd. and Daiichi Pharmaceutical Co., Ltd. in 2007, Daiichi Sankyo has established the Nomination Committee and the Compensation Committee as voluntary committees. A woman was appointed as a Member of the Board in 2019. With the aim of promoting the separation of execution and supervision and increasing the transparency of the Board of Directors, an outside director has served as the Chairman of the Board since 2020.

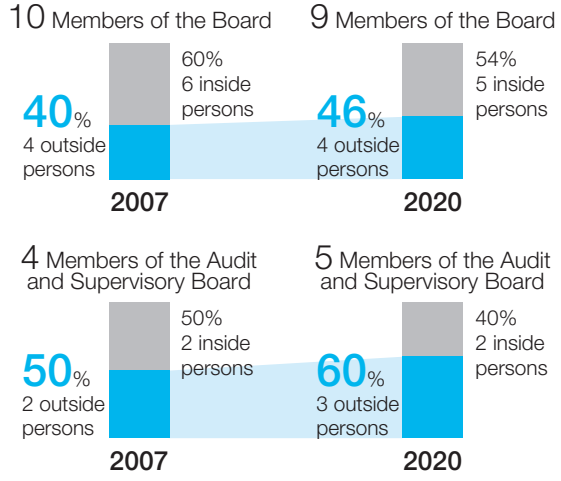
Through these efforts, we are committed to establishing the corporate governance system for the Board of Directors to appropriately make important business decisions and oversight its management, establishing the internal control system that ensures proper operation under delegation of Board of Directors' authority, and operating the board to improve its function and effectiveness.

Going forward, Daiichi Sankyo will continue to work on enhancing its corporate governance systems, as well as securing and improving the functions and effectiveness of the Board of Directors.

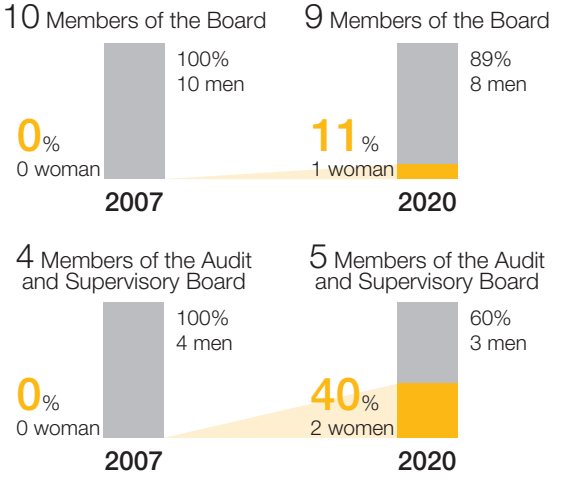
Changes in the Corporate Governance Structure

		2007	2014	2016	2017	2018	2019	2020
Chairman of the Board		Chairman	CEO				Chairman	Members of the Board (Outside)
Members of the Board	Outside	4 persons					4 persons, including 1 female member	
	Inside	6 persons				5 persons		
Members of the Audit and Supervisory Board	Outside	2 persons	2 persons, including 1 female member		3 persons, including 2 female members			
	Inside	2 persons						
Nomination Committee		2 outside persons and 1 inside person	4 outside persons	4 outside persons, 1 member of the Audit and Supervisory Board (Outside) (Observer)				
Compensation Committee		2 outside persons and 1 inside person	4 outside persons	4 outside persons, 1 member of the Audit and Supervisory Board (Outside) (Observer)				
Remuneration system (Incentive)		Short term: Performance-based bonus						
		Long term: Share remuneration-type stock option plan			Long term: Restricted share-based remuneration plan			
Corporate Governance Code			Explained about 3 items immediately after applying the Code	Complied with all the items		Explained about 1 item after revision	Complied with all the items	

Percentage of outside directors



Ratio of male and female members



Corporate Governance

Overview of the Company's Corporate Governance Structure

To clarify the management responsibility of Members of the Board and reinforce their oversight of management and the conduct of operations, their terms of office are set at one year, and four out of nine are Members of the Board (Outside). In June 2020, a Member of the Board (Outside) was appointed as the Chairman of the Board.

To ensure transparency and improve the supervisory function of management, nomination of candidates for Members of the Board and Corporate Officers and compensation thereof are deliberated on by the Nomination Committee and the Compensation Committee, respectively, which are established as voluntary committees. These Committees consist of four Members of the Board (Outside), and one Member of the Audit and Supervisory Board (Outside) participates in each committee as the observer.

For audits of legal compliance and soundness of management, the Company has adopted an Audit and Supervisory Board system and established the Audit and Supervisory Board comprising five Members of the Audit and Supervisory Board, including three Members of the Audit and Supervisory Board (Outside).

The Company prescribes specific criteria on the judgment of independence of Members of the Board (Outside) and Members of the Audit and Supervisory Board (Outside) and basic matters regarding execution of duties by Members of the Board and Members of the Audit and Supervisory Board.

The Company employs a Corporate Officer System which contributes to appropriate and swift management decision-making and the conduct of operations.

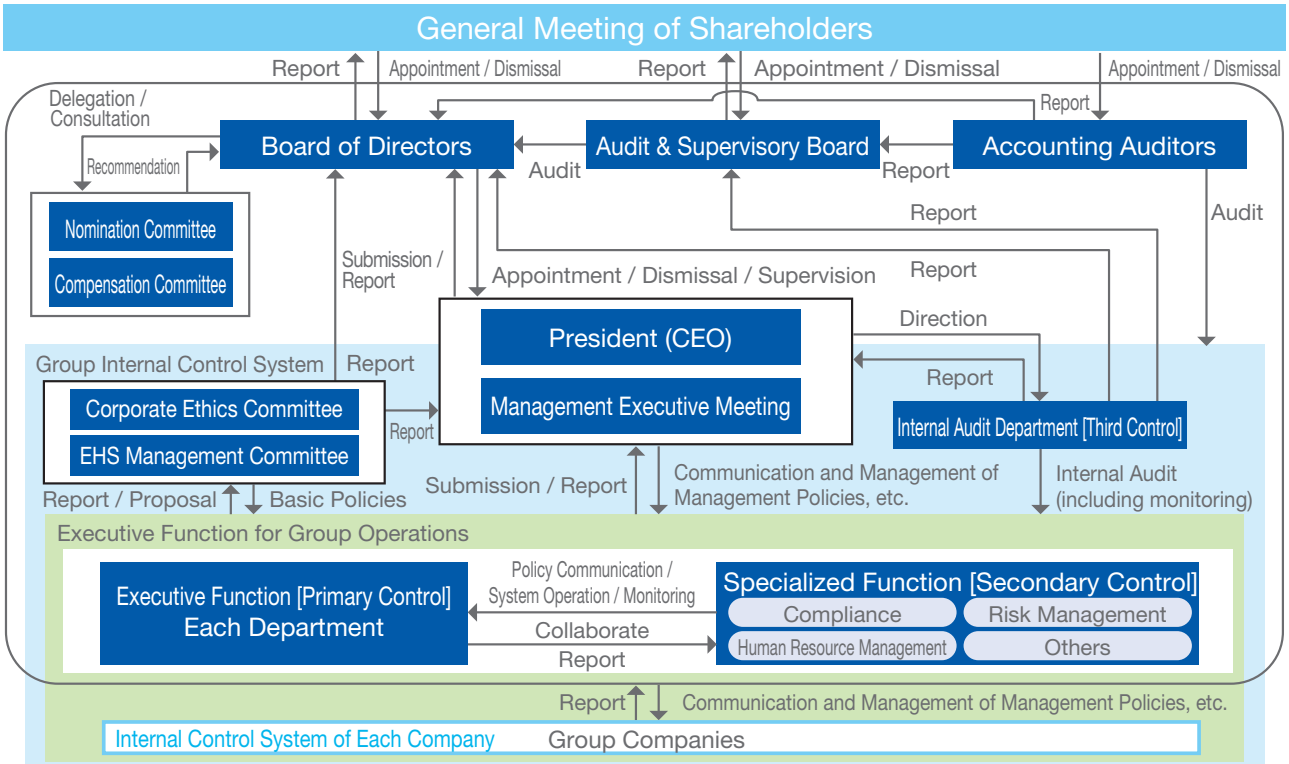
With the aims of ensuring effectiveness and efficiency of operations, ensuring reliability of financial reporting, complying with applicable laws and regulations relevant to business activities, and safeguarding assets, the Company structures its internal control system to consist of self-monitoring 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).

The Company has established the Corporate Ethics Committee chaired by the compliance officer and the EHS* Management Committee chaired by the Chief EHS Officer. The Board of Directors receives reports from the both committees regarding important matters and conducts oversight on ESG initiatives.

* EHS: Environment, Health, Safety

Overview of the Corporate Governance Structure

(As of September 1, 2020)



Outside Perspectives

The Company's Members of the Board (Outside) and the Audit and Supervisory Board (Outside) are individuals with expertise, experience, and insight in Japan and overseas in fields including corporate management, medical and pharmaceutical sciences, legal and administrative affairs, and finance and accounting. The Members make decisions from a variety of outside perspectives and make appropriate recommendations and suggestions to the Board of Directors.

Participation of Members of the Board (Outside) and the Audit and Supervisory Board (Outside)

1. The Company has nine Members of the Board, of which four are outside members. Members of the Board (Outside) have a diverse background as a corporate manager of telecommunication, general heavy industries or IT/ business strategy / marketing strategy and a medical specialist. They play important roles in enhancing the decision-making and oversight functions of the Board.
2. The Audit and Supervisory Board has five members, of which three are outside members. Members of the Audit and Supervisory Board (Outside) have expertise based on experiences as an accountant, administrative diplomat, lawyer, and other specialists, and conduct audits of legal compliance and appropriateness of management.
3. Both of the Nomination and the Compensation Committees are established to ensure management transparency and improve the supervisory function of management. All four members of each committee are Members of the Board (Outside), and one Member of the Audit and Supervisory Board (Outside) participates in each committee as the observer.
4. In addition to the qualification and performance requirements defined in the Member of the Board Regulations and the Code of Audit and Supervisory Board Member Auditing Standards, both Members of the Board (Outside) and Member of the Audit and Supervisory Board (Outside) meet the independence criteria of the Tokyo Stock Exchange (TSE) and the independence judgment criteria for outside directors set forth by the Company. All the members are reported as independent directors to the TSE.

Outside Directors for FY2020

	Name	Age*	Years of Office	Independent Director	Significant Past Positions	Board of Directors	Nomination Committee	Compensation Committee	Significant Specialty/Background			
									Corporate Management	Medicine/ Pharmacy	Legal/ Administration	Finance/ Accounting
Members of the Board (Outside)	Noritaka Uji	71	6 years	●	Former Representative Director, Senior Executive Vice President, Nippon Telegraph and Telephone Corporation (NTT)	◉ (Chairman)	○	○	Information and Communications			
	Tsuguya Fukui	68	5 years	●	Former President of St. Luke's International University President of St. Luke's International Hospital (to present)	○	◉ (Chairperson)	○		Medicine		
	Kazuaki Kama	71	1 year	●	Former President, Chairman & Representative Director of IHI Corporation	○	○	◉ (Chairperson)	Heavy Industry			Finance
	Sawako Nohara	62	1 year	●	President, IPSe Marketing, Inc. (to present)	○	○	○	IT Business			
Members of the Audit and Supervisory Board (Outside)	Sayoko Izumoto	66	3 years	●	Former Partner at Deloitte Touche Tohmatsu LLC (C.P.A.)	○		□ (Observer)				Accountant
	Tateshi Higuchi	67	2 years	●	Former Superintendent General Former Ambassador Extraordinary and Plenipotentiary of Japan to the Republic of the Union of Myanmar	○	□ (Observer)				Administrative Diplomat	
	Yukiko Imazu	51	2 years	●	Partner Lawyer, Anderson Mori & Tomotsune (to present)	○					Lawyer	

* The ages listed above are as of June 15, 2020 which is the date of the 15th Ordinary General Meeting of Shareholders

Corporate Governance

Composition and Functions of Each Committee

Nomination Committee

The Nomination Committee has been established to make necessary deliberations on the nomination of Members of the Board, Members of the Audit and Supervisory Board and Corporate Officers as an advisory committee to the Board of Directors and thereby contribute to the enhancement of transparency and supervisory function of management.

In fiscal 2019, meetings were held seven times to discuss some topics such as nomination of candidate Members of the Boards, Members of the Audit and Supervisory Board and Corporate Officers, and successor plan of the President and CEO, candidate executives of Group companies, and diversity of the Board of Directors based on the revised Corporate Governance Code.

Policies and procedures for appointment of Members of the Board, Members of the Audit and Supervisory Board, and CEO and Dismissal of Members of the Board and CEO.

The Company has defined policies and procedures for the appointment of candidate Members of the Board, Members of the Audit & Supervisory Board, and CEO as well as for the dismissal of Member of the Board and CEO. For candidates for Members of the Board, the Board of Directors appoints the candidates after they have been sufficiently verified by Nomination Committee. For candidates for Members of the Audit and Supervisory Board, the Board of Directors appoints the candidates after they have been sufficiently verified by Nomination Committee and then agreed to by the Audit and Supervisory Board. An appointment of Members of the Board and Members of the Audit and Supervisory Board is referred to the General Meeting of Shareholders. As for candidates for the CEO, they are appointed in accordance with the successor plan, qualification requirement definitions, etc. that have been discussed by the Nomination Committee, and an appointment (including reappointment) of the CEO is determined by the resolution of the Board of Directors following the sufficient deliberation and the subsequent recommendation by the Nomination Committee.

VOICE Message from Chairperson of the Nomination Committee

I am pleased to announce my appointment as Chairperson of the Nomination Committee. Chairperson plays a role in appointing individuals who will take positions that determine the fate of Daiichi Sankyo, a large corporate organization with a very important social responsibility that relates directly to the lives of many people, and I feel a deep responsibility.

The role of Chairperson is to determine the content of proposals related to the election and dismissal of executives such as Members of the Board. I understand that the significance of Members of the Board (Outside) serving as members of the Nomination Committee lies in making decisions based on their neutrality and independence. I will make every effort to determine executives with the highest potential to develop Daiichi Sankyo with an eye to contributing to humanity and with an open mind.

Tsuguya Fukui
Member of the Board
(Outside)
(Independent Director)

Compensation Committee

The Compensation Committee has been established to deliberate on the policy on compensation of Members of the Board and Corporate Officers and other matters as an advisory committee to the Board of Directors and contribute to the enhancement of transparency and supervisory function of management.

In fiscal 2019, meetings were held eight times to discuss some topics such as amounts and calculation standards for bonuses of Members of the Board and Corporate Officers, allocation of restricted stocks, examination of the remuneration levels for Members of the Board and Members of the Audit and Supervisory Board, and the revision of the compensation system for Members of the Board and Members of the Audit and Supervisory Board.

Basic design of remuneration to Members of the Board and Members of the Audit and Supervisory Board

The remuneration to Members of the Board (excluding Members of the Board (Outside)) is designed to provide remuneration that contributes to maximizing corporate value. Specifically, in addition to a basic remuneration as fixed remuneration, performance-based bonuses serving as short-term incentive and restricted share-based remuneration serving as long-term incentive are adopted as variable remuneration. The proportion of each remuneration component is designed to be 60% for basic remuneration, 20% for performance-based bonus, and 20% for restricted share-based remuneration if the performance goal is achieved 100%.

The performance-based bonuses serving as short-term incentives are calculated by adopting revenue, indicating the size of the business, as an index with a high correlation to the maximization of corporate value, ratio of operating income to revenue, indicating the efficiency of business activities, and profit attributable to owners of the Company, indicating the final outcome of corporate activities, as the relevant indices.

With respect to restricted share-based remuneration as long term incentives, the Company grants, every year in principle, shares with transfer restriction effective until immediately after retirement from the Member of the Board (excluding Members of the Board (Outside)). The objective of the incentive is to share value with shareholders over a longer period of time through the continued holding of the Company's shares by Members of the Board (excluding Members of the Board (Outside)).

The Compensation Committee discussed in fiscal 2019 that Daiichi Sankyo will increase variable remunerations and increasing the ratio of it in order to enhance an

incentive to further increase our corporate value. Daiichi Sankyo will further consider revising the remuneration to Members of the Board and Members of the Audit and Supervisory Board, including the introduction of performance linked stock compensation according to the degree of achievement of performance during the period covered by the next 5-year business plan (starting from fiscal 2021).

In order to ensure that Members of the Board (Outside) and Members of the Audit and Supervisory Board adequately perform their role, which is oversight of management, short term and long term incentives are not provided and only basic remuneration is granted.

The Remuneration system for Members of the Board and Member of the Audit and Supervisory Board for Fiscal 2019

Members of the Board (Outside) Members of the Audit and Supervisory Board	Basic Remuneration (fixed) 100%		
Members of the Board	Basic Remuneration (fixed) 60%	Performance-Based Bonus 20%	Restricted Share-Based Remuneration 20%

Breakdown of Performance-Based Bonus
(Fiscal 2019)

Evaluation Index	Evaluation Criteria	Weight	Goal	Achievement	Evaluation Factor	Bonus Payment Rate
Revenue	Degree of achievement of the budget for the fiscal year	10%	¥940.0 billion	¥981.8 billion	112.2%*	200.5%
Ratio of operating profit to revenue (operating profit)	Degree of achievement of the budget for the fiscal year	10%	10.6% (¥100.0 billion)	14.1% (¥138.8 billion)	172.2%*	
Profit attributable to owners of the Company	Degree of achievement of the target value in the 5-year business plan	80%	¥60.0 billion	¥129.1 billion	215.1%	

* The evaluation factors of revenue and operating profit margin are calculated by fixed formulas using the comparison of the actual results and the targets.

VOICE Message from Chairperson of the Compensation Committee

The major role of the Compensation Committee is to create a remuneration system that functions as an appropriate incentive for motivating Members of the Board to achieve our management vision and the 5-year business plan.

In fiscal 2019, the Compensation Committee gathered a variety of information to design a new system, discussed it from various perspectives, and deepened considerations. In fiscal 2020, we will formulate the next 5-year business plan. In line with this, we will promote further discussions.

As visualization of remuneration for executives as well as expanded disclosure thereof are promoted, our stakeholders are increasingly interested in the executives' remuneration. We will fulfill our accountability in designing and operating the new system.

Kazuaki Kama
Member of the Board (Outside)
(Independent Director)

Corporate Ethics Committee

We have established the Corporate Ethics Committee to comply with Japanese and other jurisdictions' laws and regulations as well as corporate ethics, fulfills corporate social responsibility, and ensure compliance of its executives and employees. The Committee also has one appointed external attorney to ensure objectivity.

In fiscal 2019, meetings were held twice to discuss some topics such as revisions to the Code of Conduct for Compliance, the abolition of Daiichi Sankyo Group Individual Conduct Principles, the establishment of Daiichi Sankyo Group Employee Code of Conduct, and the Fiscal 2020 Activity Plan.

EHS Management Committee

We have established the EHS Management Committee in an effort to protect the environment, ensure the health and safety of employees, and contribute to the development of a sustainable society through overall corporate activities, while achieving the uniform management and promotion of Environment, Health, and Safety management for which there is a high likelihood of risks occurring.

In fiscal 2019, meetings were held twice to discuss some topics such as measures to combat climate change, information disclosure in line with TCFD* recommendations, a reduction target for occupational accidents, the establishment of Occupational Health and Safety Management System, global healthy policies.

* TCFD (Task Force on Climate-related Financial Disclosures): This task force was established in December 2015 by the FSB (Financial Stability Board). The FSB is an international organization joined by central banks and financial regulators from the major powers.

Corporate Governance

Key Discussions at the Board of Directors Meetings

The Board of Directors discusses various issues, including important management matters. The following are key agenda items related to ESG, which has become increasingly important in recent years.

- Compliance management activities in fiscal 2018
- Establishment of information governance structure
- Risk management in fiscal 2018
- EHS Management Committee and Social Contributions Committee
- Identification of material risks for fiscal 2020
- **Establishment of the Daiichi Sankyo Group Employee Code of Conduct**
- Removal of the storage facility for contaminated soil at the site of the former Yasugawa plant of Sankyo Co., Ltd.
- **Daiichi Sankyo Group's materiality for fiscal 2020**

* In fiscal 2019, there were 100 items, 50 of which were deliberated and 50 reported.

Examples of Key Discussions related to ESG at the Board of Directors Meetings in Fiscal 2019

Daiichi Sankyo Group Employee Code of Conduct

The Daiichi Sankyo Group Employee Code of Conduct, newly established in April 2020, is a global policy that sets standards of conduct for executives and employees in the Daiichi Sankyo Group to comply with. At a meeting of the Board of Directors held in March 2020 to discuss the Code, lively discussions were made on the importance of ensuring that the Code is fully understood by managers, as well as the importance of ensuring that the Code is also understood by young employees who will lead the Company in the future.

Materiality

In response to the initial proposal, the Members of the Board (Outside) gave various feedback. They pointed out that sufficient explanation was not given regarding the level of importance of material issues such as "promoting compliance management". It was also mentioned that the importance of "promoting environmental management" should be considered higher although the environmental burdens caused by the business activities of pharmaceutical companies are generally small. The two meetings of the Board of Directors in February and March 2020 had lively discussions about materiality.

Enhancing the Effectiveness and Function of the Board of Directors

Method for Evaluating the Board of Directors

The Company has conducted the evaluation of the Board of Directors every fiscal year. Items to be evaluated includes an assessment of Members of the Board themselves in addition to the Board of Directors as a whole, taking into consideration the principle and supplementary principle associated with the general principle 4, "Roles and Responsibilities of the Board" of Japan's Corporate Governance Code.

All Members of the Board self-evaluate the above matters by selecting grades and answering free descriptions, and the analysis results and the details are reported to the Board of Directors.

The self-evaluation in fiscal 2019 generated quite a few candid opinions about all of the evaluation items using a free description format. The Company has identified the issues from free-descriptions that can help improve the functions and effectiveness of the Board of Directors.

Major Initiatives in Fiscal 2019 for Issues Requiring Improvement Based on the Evaluation Results in Fiscal 2018

	Issues requiring improvement (as determined in fiscal 2018)	Major Initiatives in fiscal 2019
1	Enhancement of discussion on the Board of Directors' decision-making and oversight functions, as well as monitoring and risk management functions	Discussions were held on matters involving risk monitoring and management, business alliances, and information governance structures.
2	Establishment of forums for enhanced discussion in the Board of Directors	Substantive discussions were held on matters such as the trajectory of the Company's oncology business by setting up forums other than meetings of the Board of Directors.
3	Preparation of sufficient proposal and report content as needed for discussion and decision-making materials	Mutually-linked agendas were set and enhancements were made to information for discussions and decision-making.
4	Further enhancement involving delivery of information in a manner that will promote understanding of Members of the Board (Outside) and Members of the Audit and Supervisory Board (Outside)	Explanations were provided on an individual basis prior to each meeting of the Board of Directors. Briefing sessions were held for Members of the Board (Outside) and Members of the Audit and Supervisory Board (Outside). And a tour of Shinagawa R&D Center was carried out.
5	Ensuring the diversity of the Board of Director particularly in terms of gender and nationality	A woman was appointed as a Member of the Board on June 17, 2019.

Priority Measures for the Board of Directors in Fiscal 2020

Fiscal 2020 is a year for developing the next 5-year business plan. Taking into account the appointment of an outside director as Chairman of the Board, among others, we will work to ensure and improve the functions and effectiveness of the Board of Directors by focusing on the priority measures listed on the right.

1. **Enhancement of discussion about the next 5-year business plan**
2. **Further enhancement of proposal and report content to the Board of Directors**
3. **Further enhanced delivery of information in a manner that will promote understanding of Members of the Board (Outside) and Members of the Audit and Supervisory Board (Outside)**

Status of Audit by Members of the Audit and Supervisory Board

Organization, personnel and procedures of the audit by Members of the Audit and Supervisory Board

As a company with the Audit and Supervisory Board, the Company has five Members of the Audit and Supervisory Board (two Members of the Audit and Supervisory Board (Full-time) and three Members of the Audit and Supervisory Board (Outside)), which includes one certified public accountant.

To further strengthen the audit functions of Members of the Audit and Supervisory Board, three full-time staffers, who are independent from the execution of operations, assist with the duties of Members of the Audit and Supervisory Board.

Activities of the Audit and Supervisory Board and its Members

The Company's Audit and Supervisory Board generally holds meetings one time per month.

Aside from Audit and Supervisory Board meetings, meetings to exchange views among Members of the Audit and Supervisory Board are held after the Board of Directors' meetings.

Approximately 110 minutes was devoted to Audit and Supervisory Board meetings in an average month, and 24 proposals were placed on the meeting agenda in Fiscal 2019.

Key matters for sharing and consideration in Audit and Supervisory Board meetings

- Audit policy, audit plans, and segregation of duties
- Audit Reports by the Audit and Supervisory Board
- Consent for "Election of Members of the Audit and Supervisory Board" as proposals in General Meetings of Shareholders
- Evaluation of Accounting Auditors
- Evaluation of the effectiveness of the Audit and Supervisory Board
- Status of execution of duties by Members of the Audit and Supervisory Board (Full-time) on a monthly basis
- Audit plans and status of auditing with respect to major domestic Group companies

Activities of Members of the Audit and Supervisory Board

Activities		Relevant Members
Meetings with Representative Directors (Members of the Board)	held twice a year	Full-time / Outside
Meetings with Members of the Board	held once a year	Full-time
Attendance in important meetings	attendance in meetings such as those of the Board of Directors, Management Executive Meeting, Corporate Ethics Committee, and EHS Management Committee	Full-time / Outside (attendance in meetings by Members of the Audit and Supervisory Board (Outside) is limited to those of the Board of Directors)
Attendance, etc. in important meetings of domestic Group companies	acting as Members of the Audit and Supervisory Board (Part-time) of the principal domestic Group companies, attendance in meetings of bodies such as the Board of Directors and Management Executive Meeting of such companies, and perusal of approval documents and other such documentation	Full-time
Perusal of important documents	perusal of documentation that includes approval documents, materials and minutes of important meetings	Full-time
Audit by Members of the Audit and Supervisory Board	Heads of Division, Vice Presidents (department), Vice Presidents (branch), Vice Presidents (research laboratory), internal control officers of domestic and overseas Group companies, etc.	Full-time and some Outside
Advice and requests at the Board of Directors' meetings		Full-time / Outside
Membership of voluntary advisory committees	observer of Nomination Committee and Compensation Committee	Outside
Cooperation with Members of the Board (Outside)	engaging in opinion-exchange	Full-time / Outside
Meetings with Members of the Audit and Supervisory Board (Full-time) of domestic Group companies	held twice a year	Full-time
Cooperation with the Internal Audit Department	reporting internal audit plans and results thereof, periodically engaging in information-sharing and opinion-exchange	Full-time
Cooperation with the Accounting Auditors	receiving briefings and reports from the Accounting Auditor on matters that include the audit plan, audit/quarterly review results, results of internal control audit (J-SOX), and engaging in opinion-exchange	Full-time / Outside

COLUMN

Audit and Supervisory Board evaluation

The Audit and Supervisory Board conducted the Audit and Supervisory Board evaluation for Fiscal 2019 to heighten its effectiveness of the Audit and Supervisory Board.

Implementation method of the Audit and Supervisory Board evaluation

The Audit and Supervisory Board established a wide range of evaluation items to assess Audit and Supervisory Board effectiveness. Each Member of the Audit and Supervisory Board conducted a self-evaluation of the Audit and Supervisory Board by selecting grades and answering free-descriptions. The Audit and Supervisory Board then discussed those matters.

Results of the evaluation of the Audit and Supervisory Board

The evaluation has concluded that although the Company's Audit and Supervisory Board largely carries out its activities appropriately, and the effectiveness of the Audit and Supervisory Board has been ensured, there is room for improvement in terms of heightening its effectiveness going forward. The Audit and Supervisory Board will draw on these results in terms of applying them to initiatives to be carried out for subsequent fiscal years.

Corporate Governance: Messages from Members of the Board (Outside) and Members of the Audit and Supervisory Board (Outside) (Independent Directors)

Noritaka Uji
Member of the Board (Outside)
(Independent Director)

There is a clear need for management systems capable of furnishing a speedy and flexible response to changes in the business environment and a Board of Directors' structure that sufficiently incorporates external viewpoints. I therefore feel immense responsibility to live up to expectations with this regard as a Member of the Board (Outside).

We believe that Daiichi Sankyo has, during this medium term, found a part of its path toward achieving the 2025 Vision of having competitive advantage in oncology and it is time to discuss the next 5-year business plan. Addressing changes and advancing to achieve our vision is of utmost importance, under the situation where the business environment significantly changes within and outside the Company including a large-scale alliance. In that sense, I will take actions while incorporating the perspective of "aggressive governance".

I am committed to offering viable advice and suggestions based on my insight and experience as a corporate manager in the information and communications industry. At the same time, from my external standpoint, I will strive to facilitate effective corporate governance which can contribute to formulating strategies and making proactive investments for sustainable growth.

Against the backdrop of post-corona challenges and digital transformation, I believe leveraging advances in information and communications technology (ICT) in the management of the Company so as to contribute to the enrichment of quality of life around the world is also extremely important.

Tsuguya Fukui
Member of the Board (Outside)
(Independent Director)

Novel coronavirus infection (COVID-19) is spreading like wildfire. Since St. Luke's International Hospital accepted the second patient with COVID-19 in Japan in late January this year, the hospital has continued to treat patients with COVID-19.

We have learned many things in the last six months. One of them is the importance of "sharing the correct information and making collective decisions" in the event of a medical emergency. Needless to say, pathological conditions of the new infection are not well understood, and new information flies around the world every day. Therefore, false alarms, rumors, and erroneous reports can spread easily in all aspects of diagnosis, treatment, and prevention. Healthcare professionals must gather information (research articles, reports on measures in Japan and overseas, etc.) quickly by using information technology skills, determine whether the information is correct, and make clear decisions about actions and policies to be taken by an organization or individual.

Even as I have been overwhelmed with busy days, I recognized again the significance of the role and expectations for pharmaceutical companies in human society. Everyone is waiting eagerly for the development of COVID-19 drugs and vaccines. As a Member of the Board (Outside), I would like to contribute in some way so that the Company can play an important role in bringing down COVID-19.

Kazuaki Kama

Member of the Board (Outside)
(Independent Director)

With DS-8201 approved in the United States and Japan, the last fiscal year was a milestone year for the Company seeking to achieve the 2025 Vision of becoming a “Global Pharma Innovator with competitive advantage in oncology”.

Meanwhile, COVID-19 is rampant around the world. As a pharmaceutical manufacturer, Daiichi Sankyo is expected to be fully committed to confronting this threat and finding solutions.

In this fiscal year, we will formulate the next 5-year business plan. The plan will include clear strategies, measures, and timetables for achieving our 2025 Vision. The COVID-19 pandemic also brings about major changes in the execution of our operations and the way employees work.

As a Member of the Board (Outside), I will play the role of an “attacking force” by determining management policies and supporting measures for the Group’s sustainable growth and enhancement of corporate value in the uncertain business environment of “with corona” and “post-corona”. At the same time, I will play the role of a “defensive player” by assessing risks and evaluating the effectiveness of governance and internal control.

I intend to fulfill my role by leveraging my experience and knowledge as a corporate manager in a comprehensive heavy industry manufacturer as well as my expertise and practical experience in the fields of finance and accounting.

Sawako Nohara

Member of the Board (Outside)
(Independent Director)

As a company aiming to become a Global Pharma Innovator, Daiichi Sankyo has a broad range of drug discovery patterns, from in-house research and development to manufacturing and sales. The Company makes quick management decisions while keeping a balance between securing immediate earnings and investing in drug discovery for the future. Meanwhile, the expansion of our overseas operations requires a global shift in our management structure. I also believe that it is our important task to promptly implement work style reforms and digital transformation in line with the “with/after-corona” era.

From the perspective of corporate governance, inside and outside Members of the Board hold active and substantive discussions at the Board of Directors Meetings. Although positioned as voluntary committees, the Nomination Committee and the Compensation Committee have been established. In these committees, outside directors play a central role in facilitating in-depth discussions about important topics such as appointment of executives, CEO succession plan, and remuneration for executives. I highly appreciate such roles of outside directors as it can contribute to fulfilling management accountability to stakeholders and increasing our corporate value.

I have entered my second year as an outside Member of the Board. Going forward, I would like to present various questions and proposals actively from an external perspective and thereby contribute to enhancing the Company’s corporate value.

Corporate Governance: Messages from Members of the Board (Outside) and Members of the Audit and Supervisory Board (Outside) (Independent Directors)

Sayoko Izumoto
Member of the Audit and Supervisory Board (Outside) (Independent Auditor)

With the approval and launch of DS-8201 (ENHERTU) in Japan and the United States, which was followed by accelerated development, 2019 marked the very first major step toward achieving our 2025 Vision of becoming a “Global Pharma Innovator with competitive advantage in oncology.” Drug discovery requires long-term research and development efforts, and a large amount of investment to support the efforts. The key to success lies in the passion of everyone in the Group, from those involved in research, development, and manufacturing to those in charge of sales, for contributing to the enrichment of quality of life around the world. In addition, the Group has accelerated its innovation in cooperation with other organizations for new drug discovery in non-oncology fields. Furthermore, fight against infections revealed by COVID-19 pandemic has gathered a great attention, and expectations are high and challenging for the pharmaceutical industry. On the other hand, global efforts have been made to fulfill our mission. We look forward to seeing growth in 2025 and beyond.

As regards the Company’s business activities, I remain committed to fulfilling my role as a Member of the Audit and Supervisory Board so that the Company can establish good corporate governance structures, in order to disclose information appropriately in compliance with laws and regulations, ensure transparency and fairness in corporate decision-making, and achieve effective corporate governance (Main Purport of General Principle 3).

Tateshi Higuchi
Member of the Audit and Supervisory Board (Outside) (Independent Auditor)

It has been two years since I assumed my position as a Member of the Audit and Supervisory Board (Outside).

Who could have imagined the current situation at the beginning of the peaceful New Year holidays in 2020? In just a few months, COVID-19 spread rapidly and utterly changed the world. This is an unprecedented situation on a global scale.

The public and private sectors are all at a loss for direction and working hard to find a way to break the deadlock. Now, the question that we are asked: What is the essence that must be respected in any situation and what is the truth that never changes in any situation?

As described in the Japanese four character idiom, *Kyakka Shouko* (meaning “find where you are”), I believe, it is time to revisit our corporate mission: *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. The statement lights our way to the future.

As a Member of the Audit and Supervisory Board, I would like to play a role in every way possible in resolving the current issues. I believe this is the way to respond to the expectations and trust of our many stakeholders.

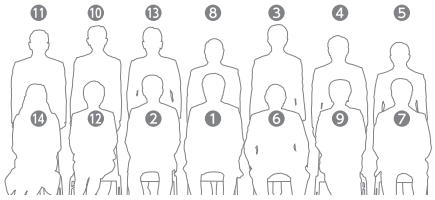
Yukiko Imazu

Member of the Audit and Supervisory Board (Outside) (Independent Auditor)

A higher priority is placed on transparency and compliance in corporate management than ever before. This year, measures have been taken to combat COVID-19, and major changes are brought about to the work style of each employee due to COVID-19. Leveraging my experience in corporate legal affairs and corporate governance with a focus on labor and employment cases as a lawyer, I, as a Member of the Audit and Supervisory Board of the Company, will continuously strive to contribute to establishing good corporate governance in response to the public trust.

In order to fulfill our mission of contributing 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, the Company must be flexible to meet the needs of the times. However, when a company tries to make a change, not only opportunities but also risks will arise. A Member of the Audit and Supervisory Board in the capacity of a lawyer is expected to contribute to providing a sense of security to shareholders and increasing corporate value of the Company. In order to achieve these, I will always offer objective opinions from an auditor's view in accordance from the legal mind and a neutral stance, so that unnecessary legal risks and damages to corporate value will be avoided. I will continue to endeavor to secure compliance and sound management of the Company in pursuit of its sustainable growth.

Corporate Governance: Introduction of Members of the Board and Members of the Audit and Supervisory Board



Members of the Board

Representative Director, Member of the Board, President and CEO
Sunao Manabe 1

Career Summary, Positions, and Assignments

1978 Entered Sankyo Company, Limited ("Sankyo")
2005 Vice President, Medicinal Safety Research Laboratories of Sankyo
2007 Vice President, Medicinal Safety Research Laboratories of the Company
2009 Corporate Officer, Vice President of Global Project Management Department, R&D Division of the Company
2011 Corporate Officer, Head of Group HR & CSR of the Company
2012 Corporate Officer, Vice President of Corporate Strategy Department, Corporate Strategy Division of the Company
2014 Executive Officer, President of Japan Company and Head of Business Intelligence Division of the Company
2014 Member of the Board, Executive Officer, President of Japan Company and Head of Business Intelligence Division of the Company
2015 Member of the Board, Senior Executive Officer, In Charge of Global Sales & Marketing of the Company
2016 Member of the Board, Executive Vice President, Head of General Affairs & Human Resources Division, and Medical Affairs Division of the Company
2016 Representative Director, Member of the Board, Executive Vice President, Head of General Affairs & Human Resources Division, and Medical Affairs Division of the Company
2017 Representative Director, Member of the Board, President and COO of the Company
2019 Representative Director, Member of the Board, President and CEO of the Company (to present)

Representative Director, Member of the Board, Executive Vice President and CFO, Head of Corporate Strategy & Management Division
Toshiaki Sai 2

Career Summary, Positions, and Assignments

1979 Entered Daiichi Pharmaceutical Co., Ltd.
2007 Vice President, Management System Department of the Company
2008 Vice President, Corporate Communications Department of the Company
2010 Corporate Officer, Vice President of Corporate Communications Department of the Company
2012 Corporate Officer, Vice President of Global Brand Strategy Department, Corporate Strategy Division of the Company
2014 Executive Officer, Vice President of Corporate Strategy Department, Corporate Strategy Division of the Company
2015 Senior Executive Officer, Head of Corporate Strategy Division of the Company
2015 Member of the Board, Senior Executive Officer, Head of Corporate Strategy Division of the Company
2017 Member of the Board, Senior Executive Officer, Head of Global Brand Strategy Division of the Company
2018 Member of the Board, Executive Vice President and CFO, Head of Corporate Strategy & Management Division of the Company
2018 Representative Director, Member of the Board, Executive Vice President and CFO, Head of Corporate Strategy & Management Division of the Company (to present)

Members of the Board, Senior Executive Officer, Head of Sales & Marketing Division
Satoru Kimura 3

Career Summary, Positions, and Assignments

1981 Entered Daiichi Pharmaceutical Co., Ltd.
2009 Vice President of Kyoto Branch, Sales & Marketing Division, Japan Company of the Company
2014 Corporate Officer, Head of Sales & Marketing Division and Vice President of Marketing Department, Japan Company of the Company
2015 Executive Officer, Head of Sales & Marketing Division of the Company
2016 Senior Executive Officer, Head of Sales & Marketing Division of the Company
2019 Member of the Board, Senior Executive Officer, Head of Sales & Marketing Division of the Company (to present)

Senior Executive Officer, Head of Digital Transformation Management Division
Masahiko Ohtsuki 4

Career Summary, Positions, and Assignments

1987 Entered Sankyo Company, Limited
2010 Vice President, R&D Planning Department, R&D Division of the Company
2012 Vice President, Research Oversight Function, R&D Division of the Company
2013 Vice President, Research Oversight Function, R&D Division of the Company
2014 Corporate Officer, Vice President of Research Oversight Function, R&D Division of the Company
2018 Corporate Officer, Vice President of Business Development & Licensing Department of the Company
2019 Executive Officer, Vice President of Business Development & Licensing Department of the Company
2020 Senior Executive Officer, Head of Digital Transformation Management Division
2020 Member of the Board, Senior Executive Officer, Head of Digital Transformation Management Division of the Company (to present)

Senior Executive Officer, Head of Global Brand Strategy Division
Shoji Hirashima 5

Career Summary, Positions, and Assignments

1988 Entered Daiichi Pharmaceutical Co., Ltd.
2010 CEO, U3 Pharma GmbH
2015 Vice President, Corporate Strategy Department, Corporate Strategy Division of the Company
2016 Vice President of Corporate Strategy Department and Senior Director of Oncology Business Group, Corporate Strategy Division of the Company
2017 Corporate Officer, Vice President of Corporate Business Management Department, Corporate Strategy and Management Division
2019 Executive Officer, Head of Global Brand Strategy Division of the Company
2020 Senior Executive Officer, Head of Global Brand Strategy Division of the Company
2020 Member of the Board, Senior Executive Officer, Head of Global Brand Strategy Division of the Company (to present)

Member of the Board (Outside) (Independent Director)
Noritaka Uji 6

Career Summary, Positions, and Assignments

1973 Entered Nippon Telegraph and Telephone Public Corporation (currently, Nippon Telegraph and Telephone Corporation (NTT))
1999 Director, Senior Vice President, Advanced Information Network Services Sector of NTT DATA Corporation ("NTT DATA")
2000 Director, Senior Vice President, Corporate Strategy Planning Department of NTT DATA
2001 Director, Senior Vice President, Industrial System Sector of NTT DATA
2002 Director, Senior Vice President, Enterprise Business Sector of NTT DATA
2003 Managing Director, Executive Vice President, Enterprise Systems Sector and Enterprise Business Sector of NTT DATA
2005 Representative Director, Executive Officer of NTT DATA
2007 Representative Director, Senior Executive Vice President, Nippon Telegraph and Telephone Corporation ("NTT")
2012 Adviser of NTT
2014 Member of the Board (Outside) of the Company (to present)

(Material Concurrent Positions)
· External Director of Yokogawa Electric Corporation
· Honorary Chairman of Japan Institute of Information Technology
· Honorary President of Japan Telework Association
· Visiting Professor of Center for Global Communications, International University of Japan

Member of the Board (Outside)
(Independent Director)

Tsuguya Fukui 7

Career Summary, Positions, and Assignments

1992 Professor, Department of General Medicine of Saga Medical School Hospital
1994 Professor, Department of General Medicine of Kyoto University Hospital
1999 Professor, Department of Clinical Epidemiology, Kyoto University Graduate School of Medicine
2000 Professor, Department of Clinical Epidemiology, Professor, Department of Health Informatics, Dean, School of Public Health, Kyoto University Graduate School of Medicine
2001 Professor, Department of Clinical Epidemiology, Professor, Department of Health Informatics, Director, EBM Collaborative Research Center, School of Public Health, Kyoto University Graduate School of Medicine
2004 Chief of Staff, Department of Internal Medicine, Vice President, St. Luke's International Hospital
2005 President of St. Luke's International Hospital (to present)
2012 Chairperson of the Board of Trustees of St. Luke's College of Nursing (currently St. Luke's International University)
2015 Member of the Board (Outside) of the Company (to present)
2016 President of St. Luke's International University

(Material Concurrent Positions)
· President of St. Luke's International Hospital
· Executive Director of Japan Hospital Association
· President of The Japan Medical Library Association

Member of the Board (Outside)
(Independent Director)

Kazuaki Kama 8

Career Summary, Positions, and Assignments

1971 Entered Ishikawajima-Harima Heavy Industries Co., Ltd. (currently, IHI Corporation)
1987 Executive Vice President of IHI INC.(New York)
2002 Associate Director and Deputy General Manager of Finance and Accounting Division of Ishikawajima-Harima Heavy Industries Co., Ltd.
2004 Executive Officer and General Manager of Finance and Accounting Division of Ishikawajima-Harima Heavy Industries Co., Ltd.
2005 Managing Executive Officer, General Manager of Finance and Accounting Division of Ishikawajima-Harima Heavy Industries Co., Ltd.
2005 Board Director, Managing Executive Officer, General Manager of Finance and Accounting Division of Ishikawajima-Harima Heavy Industries Co., Ltd.
2007 President and Chief Executive Officer of Ishikawajima-Harima Heavy Industries Co., Ltd.
2012 Chairman of the Board of IHI Corporation
2016 Board Director of IHI Corporation
2016 Executive Corporate Advisor of IHI Corporation
2019 Member of the Board (Outside) of the Company (to present)
2020 Senior Advisor of IHI Corporation (to present)

(Material Concurrent Positions)
· Senior Advisor of IHI Corporation
· Outside Director of SUMITOMO LIFE INSURANCE COMPANY
· Statutory Auditor (Outside) of Tokyo Stock Exchange, Inc.

Member of the Board (Outside)
(Independent Director)

Sawako Nohara 9

Career Summary, Positions, and Assignments

1980 Entered Mitsubishi Petrochemical Co., Ltd. (currently, Mitsubishi Chemical Corporation)
1988 Entered Life Science Institute Co., Ltd.
1995 Entered InfoCom Research, Inc.
1998 Head of the E-Commerce Business Development Group of InfoCom Research, Inc.
2001 President of IPSe Marketing, Inc. (to present)
2006 Outside Director of the Board of NEC Corporation
2009 Project Professor of the Graduate School of Media and Governance, Keio University
2012 Audit & Supervisory Board Member (Outside) of Sompo Japan Insurance Inc.
2013 Outside Director of the Board of NKSJ Holdings, Inc. (currently, Sompo Holdings, Inc.) (to present)
2014 Outside Director of the Board of Nissha Printing Co., Ltd. (currently, Nissha Co., Ltd.)
2014 Outside Director of the Board of JAPAN POST BANK Co., Ltd.
2018 Outside Audit & Supervisory Board Member of Tokyo Gas Co., Ltd. (to present)
2019 Member of the Board (Outside) of the Company (to present)
2020 Project Professor of the Graduate School of Media and Governance, Keio University (to present)

(Material Concurrent Positions)
· President of IPSe Marketing, Inc.
· Project Professor of the Graduate School of Media and Governance, Keio University
· Outside Director of the Board of Sompo Holdings, Inc.
· Outside Audit & Supervisory Board Member of Tokyo Gas Co., Ltd.

Members of the Audit and Supervisory Board

Member of the Audit and
Supervisory Board

Ryoichi Watanabe 10

Career Summary and Positions

1981 Entered Sankyo Company, Limited ("Sankyo")
2003 Vice President, Accounting Department of Sankyo
2004 Vice President, Business Performance Management Department of Sankyo
2007 Vice President, Corporate Accounting Department of the Company
2009 Vice President, Corporate Finance & Accounting Department of the Company
2012 Vice President, General Affairs & Procurement Department, General Affairs & Human Resources Division of the Company
2014 Vice President, Finance & Accounting Department, Corporate Management Division of the Company
2015 Vice President, Internal Audit Department of the Company
2016 Corporate Officer, Vice President, Internal Audit Department of the Company
2019 Corporate Officer, in charge of Internal Audit Department of the Company
2019 Member of the Audit and Supervisory Board of the Company (to present)

Member of the Audit and
Supervisory Board

Kenji Sato 11

Career Summary and Positions

1988 Entered Daiichi Pharmaceutical Co., Ltd.
2016 Vice President, R&D General Affairs & Human Resources Department, R&D Division of the Company
2019 Principal, R&D General Affairs & Human Resources Department, R&D Division of the Company
2019 Member of the Audit and Supervisory Board of the Company (to present)

Member of the Audit and
Supervisory Board (Outside)
(Independent Auditor)

Sayoko Izumoto 12

Career Summary and Positions

1976 Joined Tohmatsu Awoki & Co. (currently "Deloitte Touche Tohmatsu LLC")
1979 Registered as Certified Public Accountant
1995 Partner of Tohmatsu & Co. (currently "Deloitte Touche Tohmatsu LLC")
2007 Member of Business Accounting Council, Financial Services Agency
2015 Member of Information and Communications Council, Ministry of Internal Affairs and Communications (to present)
2016 Representative, Izumoto Certified Public Accountant Office (to present)
2017 Member of Information Disclosure and Personal Information Protection Review Board, Ministry of Internal Affairs and Communications (to present)
2017 Member of the Audit & Supervisory Board (Outside) of the Company (to present)

(Material Concurrent Positions)
· Member of Information and Communication Council, Ministry of Internal Affairs and Communications
· Member of Information Disclosure and Personal Information Protection Review Board, Ministry of Internal Affairs and Communications
· Representative of Izumoto Certified Public Accountant Office
· External Audit and Supervisory Board Member of Freund Corporation
· Outside Director of Hitachi Transport System, Ltd.

Member of the Audit and
Supervisory Board (Outside)
(Independent Auditor)

Tateshi Higuchi 13

Career Summary and Positions

1978 Entered National Police Agency
2007 Deputy Director General for Policy Evaluation and Deputy Director General of National Police Agency
2008 Chief of Personnel and Training Bureau of Tokyo Metropolitan Police Department
2009 Deputy Superintendent General and Acting Chief of Personnel and Training Bureau of Tokyo Metropolitan Police Department
2010 Chief of Community Safety Bureau of National Police Agency
2011 Superintendent General
2014 Ambassador Extraordinary and Plenipotentiary of Japan to the Republic of the Union of Myanmar
2018 Member of the Audit and Supervisory Board(Outside) of the Company (to present)

(Material Concurrent Positions)
· Outside Director of MIURA CO., LTD.
· Member of Japan Casino Regulatory Commission, an external bureau of the Cabinet Office
· External Member of the Audit and Supervisory Board of TAISEI CORPORATION

Member of the Audit and
Supervisory Board (Outside)
(Independent Auditor)

Yukiko Imazu 14

Career Summary and Positions

1996 Entered Anderson Mōri (currently, Anderson Mōri & Tomotsune)
2005 Partner of Anderson Mōri & Tomotsune (to present)
2007 Associate Professor of Keio University Law School
2014 Director of Ishibashi Foundation (to present)
2018 Member of the Audit & Supervisory Board (Outside) of the Company (to present)

(Material concurrent positions)
· Partner of Anderson Mōri & Tomotsune
· Director of Ishibashi Foundation

(as of September 1,2020)

Risk Management

The Daiichi Sankyo Group identifies factors that may prevent the Group from attaining its organizational goals and targets and that can be predicted in advance as risks. The Group is promoting risk management by taking steps to address risks inherent in corporate activities by retaining, reducing, avoiding, or eliminating these risks. In addition, we seek to minimize the impacts of risks on people, society, and the Group should they occur. Specifically, in addition to establishing the risk management system that defines steps to address risks inherent in corporate activities, the Group has a business continuity plan (BCP*) that enables it to continue to operate even in the event of a disaster, etc., that may affect its business, as well as a crisis management system to minimize loss should a risk greater than expected occur.

Regarding the spread of COVID-19 since the last fiscal year, we assessed its impact on our business and took necessary measures from two perspectives: preventing the spread of infection and continuing our business. We are still monitoring the status of COVID-19 cases while considering additional measures against a possible relapse of the pandemic.

*Business Continuity Plan

Risk Management

In promoting the risk management of the Group, the chief financial officer (CFO) oversees Group-wide risk management as the risk management officer (RMO) and operates the risk management system in conjunction with an annual cycle of formulating and implementing business plans.

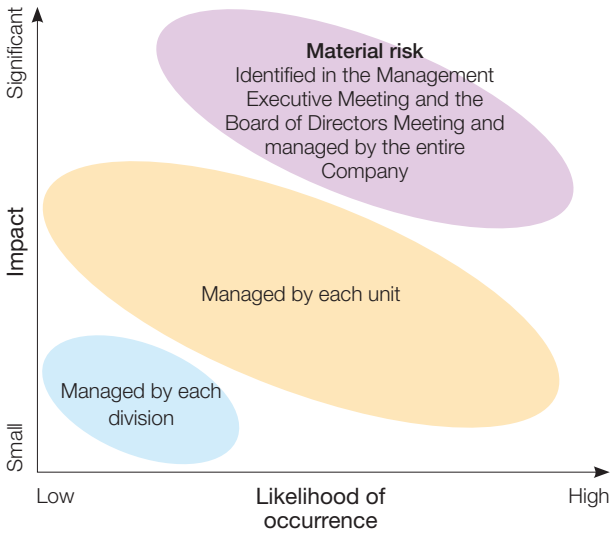
In addition, the heads of units autonomously manage risks to aid the accomplishment of their units' goals and targets. To this end, they extract risks, formulate and implement countermeasures, and provide employees with information on underlying risks in the organization, education, and insight concerning risk management.

The Risk Management Office (Corporate Business Management Department) assesses the risks extracted in each unit from the aspects of their impact and probability.

Risks with the potential to significantly affect the management of the Company are identified as material risks by the Management Executive Meeting and the Board of Directors Meeting (see the conceptual diagram below on the Group's risk level classification). In addition, responsible persons are appointed for each material risk identified and they implement risk countermeasures in cooperation with relevant organizations. The progress of the risk countermeasures is checked through risk monitoring twice a year and the countermeasures are corrected or improved upon as necessary. Should precursors of the potential occurrence of a material risk be detected, related information will quickly be assembled for the RMO and reported to the CEO.

Overview of the risk management structure

Conceptual diagram of the Group's risk level classification



Major Risks and Their Management

The table below summarizes Major Risks extracted from the Group's material risks and management risks at each unit/division. In extracting the risks, the possibility of impact on investment decisions and other similar matters were considered.

Area	Risk Summary	Status of Risk Management
Research and Development/ Alliances with Other Companies	For new drug candidates, in particular, *trastuzumab deruxtecan* (*DS-8201*), potential risks include the discontinuation of the collaborative research and development (R&D) project with AstraZeneca, changes to approval review criteria and other similar matters may result in failure or delay to obtain approval, and the terms and conditions of the R&D alliance agreement may be amended or terminated, among other risks.	• Establish a joint executive committee between the Group and AstraZeneca regarding *DS-8201* to formulate a vision and strategy and to manage progress, among others • Manage and reduce pharmaceutical risks through constant communication with the applicable authorities
Side Effects and Quality Issues of Pharmaceuticals	Pharmaceutical products may be recalled or withdrawn from the market due to quality issues or unpredicted side effects. Significant expenses may be incurred in connection with liability for health damage or other similar matters.	• Perform objective assessments, reviews, and analysis of safety management information (e.g., information on side effects) collected both in Japan and from around the world; and deliver information, as appropriate, to the authorities and/or healthcare practitioners. • Provide all employees with training in safety management information every year
Manufacturing / Procurement	There is the potential for adverse risk with a delay, suspension, or other similar issues in manufacturing and procurement due to damage to the Company's facilities, impairment of social infrastructure, or technical reasons, among others.	• Put systems in place to restore operations quickly in the event of an emergency and to ensure a steady supply of pharmaceutical products with assured quality to help support the continued provision of medical services • Disperse manufacturing and distribution sites, and introduce private electricity generators
Litigation	Lawsuits may arise over pharmaceutical side effects, product liability, labor issues, and fair trade issues, among others.	• Minimize legal risks and maximize business opportunities from the perspectives of laws and regulations, contracts, and dispute prevention and resolution • Establish preventive measures against compliance violations as well as strong remediation to address any such violations
Laws, Regulations, and Regulatory Trends to Limit Healthcare Expenditures in Japan	Adverse effects may be caused by administrative measures related to NHI drug price revisions, healthcare system, and health insurance.	• Revise wholesale prices and rebates in light of NHI drug price system reforms and distribution improvement guidelines • Establish and implement appropriate sales contracts
Breaches of Laws	There is the risk that serious breaches of laws and regulations, including personal fraud by executives and employees	• Strictly comply with laws and regulations and implement measures to prevent breaches and raise awareness through education, ongoing training, and other similar activities • Monitor and auditing of business operations to detect any inappropriate activities as early as possible
Financial Market and Foreign Exchange Rate Fluctuations	Adverse effects may result from a sluggish stock market, interest rate trends, or exchange rate fluctuations.	• Reduce cross-shareholding shares • Review the pension fund asset allocation during the period • Enter into currency hedging transactions
IT Security and Information Management	Network virus infection, cyber-attacks, and other similar events may result in a system shutdown or leakage of confidential information, including personal data.	• Appoint the CIO*1 and the CISO*2 to establish a global organization structure in the information field • Provide employees with training in information management • Strengthen the Group's information security infrastructure and improve its operation
Impact of Spread of COVID-19	Delays of goods in the supply chain and other similar issues caused by the spread of COVID-19 may affect the stable supply of products. In addition, delays in ongoing clinical trials and protocol violations resulting from the uncertainty in clinical settings due to COVID-19 whicih may also impact product approval.	• Set up the COVID-19 Emergency Headquarters • Ensure the stock of pharmaceuticals • Continue to manage clinical trials with the highest priority on the safety of subjects and also modify our clinical trials, as needed, due to impact of COVID-19.
Overseas Business Development	Overseas business operations may bring risks of political instability in regions, adverse economic conditions, conflicts with laws, regulations, or other requirements, and worsened labor-management relations, among other risks.	• Appoint persons in charge of risk management at overseas subsidiaries, and collect and share information on a regular basis • When a problem arises, the persons serve as a hub for solving the problem promptly in cooperation with local subsidiaries
Environment / Safety	There is the possibility that people, both internal and external, may be exposed to chemicals. There is the possibility that the Group's operations may result in soil, air, and other environmental pollution, and may also have adverse effects on climate change.	• Established SOPs to manage chemical substances which is including stricter criterion than regulatory standards, and undertake continued monitoring. • Disclose information in accordance with the Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)
Intellectual Property Rights	If a third party asserts that the Group's operations have infringed the party's patent or other intellectual property rights, the Group may face a lawsuit or it may impact the business. If a third party infringes Daiichi Sankyo intellectual property rights, a lawsuit may be filed.	• Create and protect intellectual property to maximize values and minimize risks • Establish a system to minimize the impact of any intellectual property dispute in cooperation with internal and external parties
Recoverability of Deferred Tax Assets	Decrease in the amount of taxable income, deductible temporary differences due to tax reform or other reasons, and reassessment of tax loss carryforwards may have adverse effects.	• Review future taxable income as appropriate in light of changes in the business environment and other factors

*1 Chief Information Officer
*2 Chief Information Security Officer

Risk Management

Business Continuity Plan

The Daiichi Sankyo Group has formulated a business continuity plan (BCP) in preparation for four major threats to business continuity: natural disasters, facility accidents, pandemic influenza and other infectious diseases, system failures and cyberattacks. Based on this plan, systems are in place to quickly restore operations in the event of an emergency and to ensure a stable supply of pharmaceutical products with assured quality to support the continued provision of medical services.

Business Continuity Plan Measures in Supply Chain

Based on its experiences following the Great East Japan Earthquake, we revised our BCP in 2012. Since then, we have continued to improve upon the BCP through such means as reviewing the list of priority supply drugs for which supply should be prioritized and the disaster response plans at our production sites based on revisions to national disaster response plans and social needs. In this manner, we strive to ensure effective response measures are taken in the event that a risk occurs.

For the stable supply of pharmaceutical products, we have prepared a BCP for each production site in Japan in consideration of its functional and regional characteristics by estimating the recovery time based on the damage from the largest earthquake expected. As shown in the table below, BCP measures are taken for necessary management resources such as facilities, logistics/inventory, personnel, and information from four viewpoints: implementing preventive measures, ensuring diversity, ensuring support measures, and ensuring alternative measures. For example, our measures for facilities include reinforcing buildings and facilities, operating multiple sites, and securing emergency power. Measures for logistics/inventory include ensuring backup inventory of priority supply drugs, decentralizing their storage, and other actions that combine measures to mitigate risks in advance.

In addition, we have developed and regularly revise the list of priority supply drugs that are used by a large number of patients, that are needed in emergencies, or that cannot be substituted by other drugs. In this way, we have established a system to supply necessary drugs continuously and appropriately when risks occur.

Business Continuity Plan Measures in Supply Chain

Management Resources	Implementing Preventive Measures	Ensuring Diversity	Ensuring Support Measures	Ensuring Alternative Measures
Facilities	Reinforcing buildings/ facilities	Operating multiple sites Operating multiple facilities	Securing spare items and repair parts, securing standby machines and emergency power	Moving facilities Alternative processes
Logistics/ Inventory	Ensuring backup inventory	Ensuring multiple channels Distributed inventory	Emergency procurement agreement	Alternative transportation Shipping from alternative sites
Personnel	Preparing manuals Education and training	Operating at multiple sites Securing backup personnel	Dispatching support personnel from other sites	
Information	Distributed facilities (Ex: distributed server system, etc.)	Parallel operation	Data backup	Considering alternative processes Reconstructing data

Pandemic Influenza Action Plan

To prepare for a global outbreak of pandemic influenza, the Group formulated the Pandemic Influenza Action Plan in 2009 for the purpose of ensuring the safety of employees and their families and continuing the supply of pharmaceuticals. In addition, Daiichi Sankyo is a designated public corporation under the Act on Special Measures for Pandemic Influenza and New Infectious Diseases Preparedness and Response and has the responsibility to cooperate with measures taken by national and local administrative organs. We work to fulfill our corporate social responsibilities by contributing to maintaining the healthcare system through the continued supply of pharmaceuticals.

The Pandemic Influenza Action Plan prescribes operations that need to be continued in the event of an outbreak or spread of the disease, and defines an action plan for each operation according to the stage of the outbreak. In response to the recent outbreak of COVID-19, we have taken flexible measures in accordance with the Action Plan, and, based on the knowledge gained through this experience, we will review the Action Plan to make it more practical.

Crisis Management

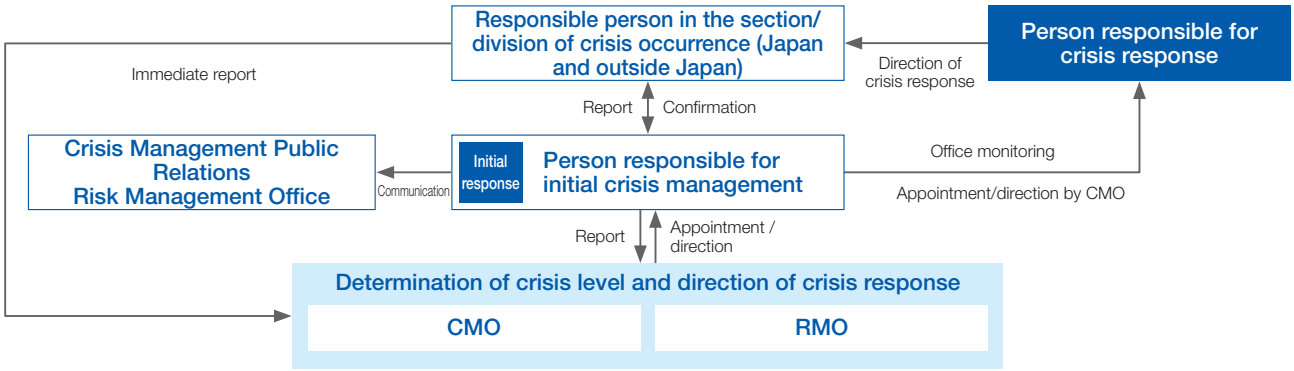
The Group's Global Crisis Management Policy collectively defines crises as events that have occurred and require immediate response and other events with extremely high likelihood of occurrence, among potential risks in business activities. For the purpose of minimizing loss due to the occurrence of a crisis, the policy stipulates basic items related to crisis management. The policy stipulates that "In the event of a crisis, crisis management shall be conducted promptly and certainly to minimize the impact on people, society, and the company with the principle of securing the lives of Daiichi Sankyo Group employees and related parties and the safety of the local community, and fulfilling the responsibilities of a company that is engaged in a business that affects human lives, and making efforts to ensure business continuity and early recovery from the crisis."

The Group also has a structure to respond flexibly to crisis depending on the type (disaster/accident, incident including terrorism, scandal, breach of laws, information management-related problem, product-related problem) or the degree of impact of the crisis (see the figure below). We have clearly defined the reporting criteria and channels and established the crisis management officer (CMO), either the CEO or an officer appointed by the CEO, and the person responsible for the initial crisis management (the vice president of the General Affairs and Procurement). For a crisis with a global impact requiring company-wide response, we strive to prevent the situation from escalating and to resolve it by sharing the relevant information with the RMO (CFO) and through quick and appropriate initial response. After the crisis has been resolved, we conduct ex-post analysis to prevent a recurrence of the crisis and improve our response.

In response to COVID-19, we established the COVID-19 Emergency Headquarters headed by the CEO at an early stage, and work together with different departments to ensure the safety of employees as well as the stable supply of pharmaceuticals.

For details of actions against COVID-19, refer to page 43.

Initial response to crisis



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Information Security

Information Management Initiatives

Amid the rapid increase in sophisticated cyber attacks in recent years, the information management environment has changed significantly, including the strengthening of information-related laws and regulations in each country. In April this year, the Group strengthened its information management structure led by the CISO,*1 and established the Information Security Policy. This Policy applies not only to electronic information, but to all information including paper-based and oral information. In addition, it covers external information such as those of our business partners and other related parties as well as internal information. Moreover, the Group is working on enhancing employee education and developing necessary regulations, among others, in order to maintain an environment where each and every employee handles information properly.

Countermeasures against Cyber Attacks

Under the leadership of the CISO, the Group has established the CSIRT*2 to promote information security measures. Specifically, the CSIRT collects information on cyber security from the Group companies in Japan and overseas, and develops security measures for the Group based on the information obtained. The CSIRT also promotes initiatives aimed at dealing with the threat of cyber attacks in cooperation with other organizations in the same and other industries. The goal of the CSIRT is to contribute to improving security not only within the Company, but throughout society.

*1 Chief Information Security Officer
*2 Computer Security Incident Response Team. An organization that deals with computer security in an enterprise or the like.

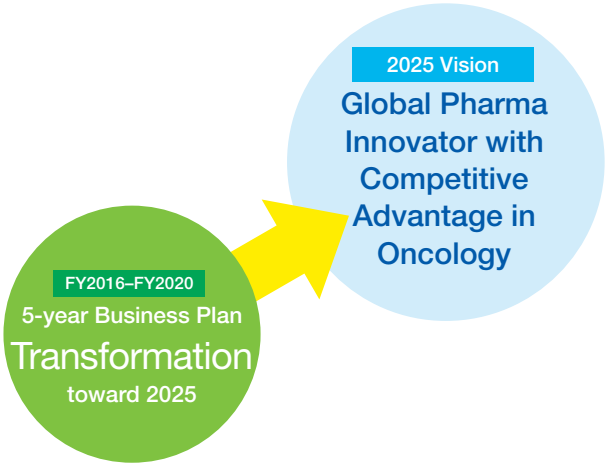
Message from the CFO

I would like to begin by thanking all of our stakeholders for the ongoing support to Daiichi Sankyo. Along with the progress of our 5-year business plan, I would like to introduce specific initiatives to improve the corporate value as CFO.

Toshiaki Sai
Representative Director, Member of the Board, Executive Vice President and CFO

Progress of 5-year Business Plan

Under the 2025 Vision of becoming a "Global Pharma Innovator with competitive advantage in oncology," which was established in March 2016, we are committed to sustainable growth focusing on six strategic targets, in line with the current 5-year business plan.



As for the "Establish oncology business" target, for which the most remarkable progress has been noted, we have made significant advancement in the development of 3 antibody drug conjugates ("ADCs"), *DS-8201*, *DS-1062*, and *U3-1402*, with excellent clinical data. Accordingly, we are expediting our efforts to maximize the value of these 3 ADCs.

DS-8201 (generic name: *trastuzumab deruxtecan*), a cornerstone of our future oncology business, was launched under the brand name of *ENHERTU* in the U.S. and Japan in 2020. The drug is indicated for the 3rd-line treatment of HER2 positive breast cancer. Through the strategic collaboration (co-development/co-commercialization) agreed with AstraZeneca in March 2019 in order to maximize the value of *ENHERTU*, we are focusing on accelerating market penetration and expanding indications.

In July 2020, we also formed a strategic collaboration with AstraZeneca for *DS-1062*. We are maximizing the value of *DS-1062* by accelerating clinical trials mainly focusing on lung cancer. At the same time, we are focusing our efforts to expand the oncology business by optimizing resource allocation to our pipeline with growing potential, including *U3-1402* and other following ADCs.

Overview of *DS-1062* strategic collaboration

Our collaborator

AstraZeneca
(head office located in Cambridge, UK)

DAIICHI SANKYO CO., LTD. + AstraZeneca

Framework of collaboration

Co-development and co-commercialization for *DS-1062*

Development

- Co-development of *DS-1062* as monotherapy/combination therapy
- Equally share development costs
- Combination study with other companies' products possible

lung cancer / breast cancer / other cancers

Commercialization

- **Global (excluding Japan):**
  Both companies will co-commercialize and share profits
- **Japan:**
  Daiichi Sankyo will solely commercialize and pay royalty to AstraZeneca

Sales booking by region

- **Daiichi Sankyo:**
  Japan, U.S., certain countries in Europe, and other certain markets where Daiichi Sankyo has subsidiaries
- **AstraZeneca:**
  China, Australia, Canada, Russia, and certain countries in other regions

Manufacturing

- Daiichi Sankyo will manufacture *DS-1062*

Financial terms

- **Up to $6.0 billion (¥660.0 billion)**
  ($1=¥110, the same applies hereinafter)
  - Upfront payment $1.0 billion (¥110.0 billion)
  - Regulatory milestones (Maximum): $1.0 billion (¥110.0 billion)
  - Sales-related milestones (Maximum): $4.0 billion (¥440.0 billion)

Six strategic targets: summary of achievements and progress during the 5-year business plan period

Establish oncology business

- Launched *DS-8201* in the U.S. and Japan. Acquired positive clinical data for *DS-8201* additional indications
- Acquired positive clinical data for *DS-1062* and *U3-1402*
- Formed strategic collaborations with AstraZeneca for *DS-8201* and *DS-1062*

Expand U.S. businesses

- Launched *ENHERTU* (January 2020)
- Implemented exit strategy for the pain franchise of Daiichi Sankyo, Inc.
- Steady expansion of American Regent business (FY2019 revenue: ¥130.8 billion)

Grow as the number one company in Japan

- Number one company in japan in terms of revenue for four consecutive years
- Continuously launched in-house products (*Tarlige* and *Minnebro*)
- Acquired and achieved sales growth of new products (*Vimpat*, *Canalia*)

Grow *edoxaban*

- Expanded global revenue (FY2019 revenue: ¥154.0 billion)
- Launched orally disintegrating (OD) tablets in Japan and achieved number one market share
- Significantly expanded market share in multiple countries within Europe and Asia

Continuously generate innovative new products changing standard of care (SOC*)

- Obtained approval for the pain treatment *mirogabalin* (brand name: *Tarlige*) in Japan
- Obtained approval for the tenosynovial giant cell tumor treatment *pexidartinib* (brand name: *Turalio*) in the U.S.
- Progress in drug discovery using wide range of modalities (nucleic acid, cell therapy, gene therapy, etc.)

Enhance profit generation capabilities

- Optimized global manufacturing/R&D structures (two locations divested and five closed)
- Optimized commercial structures in the U.S. and EU
- Divested non-core assets (properties and long-listed products)

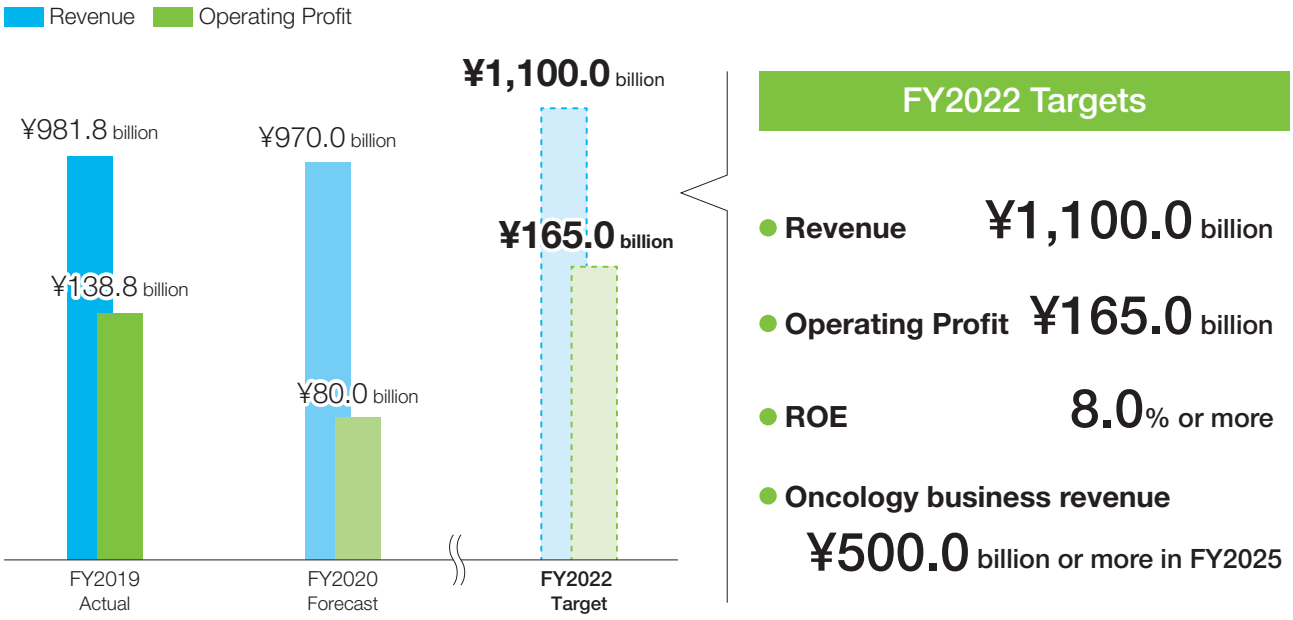
* SOC (Standard of Care): Universally applied best treatment practice in today's medical science

Message from the CFO

Financial Targets

In October 2019, we revised our financial targets to reflect changes in the business environment since the establishment of the current 5-year business plan. We have set the goal of achieving revenue of ¥1,100.0 billion, operating profit of ¥165.0 billion, and ROE of 8% or more in FY2022. Through investment in the oncology business, we aim to achieve an oncology business revenue of ¥500.0 billion or more in FY2025.

We are currently reviewing the targets that take into account the strategic collaboration with AstraZeneca for *DS-1062*, which was agreed in July 2020. We will discuss with AstraZeneca on the details of the development and commercial plans, and will revise resource allocation for the other development projects such as *U3-1402*, and disclose the updated financial targets in the next 5-year business plan.



Shareholder Return Policy

We set total return ratio*1 of 100% or more, and annual ordinary dividend payments of ¥70 per share or more (pre-split base*2), as our shareholder return policy cumulatively for FY2016 through FY2022. We intend to pay stable dividends while flexibly acquiring own stock.

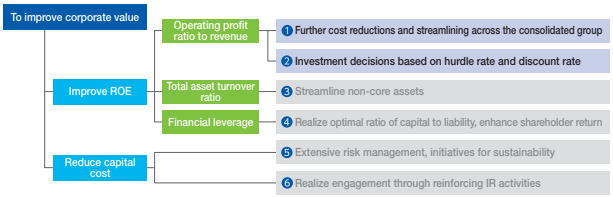
In FY2020, we plan to pay annual ordinary dividend per share of ¥81 on a pre-split basis, which is an increase of ¥11 per share year on year. We will remain committed to enhancing shareholder returns.

*1 (Total dividends + Total acquisition costs of own shares) / Profit attributable to owners of the Company

*2 Daiichi Sankyo resolved to implement a three-for-one split of its common stock effective October 1, 2020 at the Meeting of the Board of Directors held on April 27, 2020.

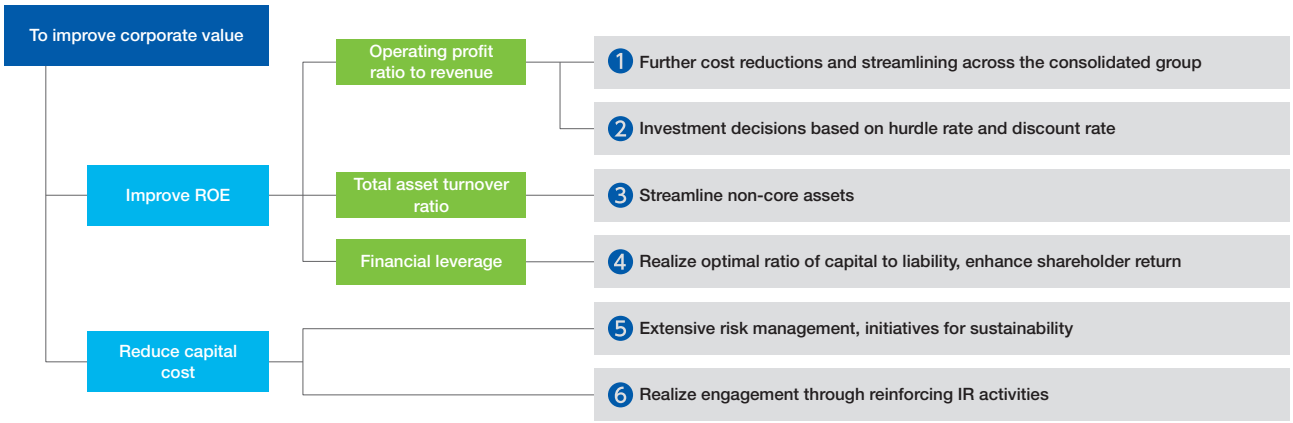
Shareholder return policy (cumulative targets for FY2016 through FY2022)

	FY2016 Results	FY2017 Results	FY2018 Results	FY2019 Results	FY2020 Plan
Dividends per share (pre-split base*2)	**¥70**	**¥70**	**¥70**	**¥70**	**¥81**
Acquisition of own shares	**¥50.0 billion**	**¥50.0 billion**	**—**	**—**	**Flexible**



Initiatives for Improving Corporate Value

Hereafter, I will explain our specific ROE improvement and capital cost reduction initiatives as part of our initiatives for improving corporate value, following ❶ to ❻ in the figure below.



❶ Further cost reductions and streamlining across the consolidated group

In order to improve the profit ratio, we are seeking to achieve further cost reductions and improve cost-effectiveness across the consolidated Daiichi Sankyo group, in addition to expanding revenue. Major initiatives include enhancement of the procurement function and optimization of operating structures for manufacturing, commercial, and R&D. Concerning the optimization of operating structures, we have divested or closed three manufacturing sites, and closed four R&D sites in the past four years to FY2019 since the start of the current 5-year business plan. We have also implemented optimization of our commercial organizations in Europe and the U.S. We will accelerate initiatives to enhance profit generation capabilities in the future.

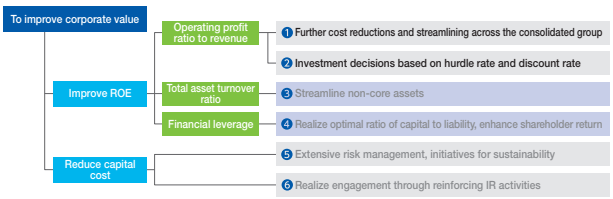
❷ Investment decisions based on hurdle rate and discount rate

In terms of investment, our focus is to optimize business portfolio by reinforcing financial investment decisions with capital cost in mind and taking synergies into consideration.

When making investment decisions for the business or capital expenditure, which has significant impact on future profit, we support such decision based on the future business environment, vision, and strategy by setting the hurdle rate, discount rate and other factors in response to markets and business risks.

We assume our cost of shareholders' equity to be approximately 6% and set the goal for ROE of 8% or more, which is approximately 2% above the cost. Furthermore, we anticipate the WACC, the weighted average of our cost of shareholders' equity and cost of debt, to be 5 to 6%, and we use a hurdle rate of 8% for investment decisions, by adding 2 to 3% to the WACC. In addition, we make investment decisions based on discount rate for each region that takes into account the characteristics of each market.

Message from the CFO



3 Streamline non-core assets

We create free cash flow that will lead to improvement of corporate value by streamlining non-core assets through optimization in assets, and enhancing our total asset turnover ratio. With regard to assets including properties, we are implementing liquidation of non-core assets at the appropriate timing while considering not only the materiality of the assets for business activities and the alternativeness, but also life-cycle costs (maintenance costs needed to maintain functions subject to deterioration and renovation costs required to improve performance) and business continuity plans (BCPs). We sold properties worth ¥14.0 billion in FY2019 and ¥38.9 billion in total during the current 5-year business plan period.

As a rule, we are aggressively streamlining cross-shareholdings in accordance with our policy of not holding listed stocks, except in cases where holding such stocks will maintain or strengthen long-term business relationship and contribute to improving our corporate value. We sold 12 stock brands for a total amount of ¥22.0 billion in FY2019, and an aggregated total of 45 stock brands for a total of ¥68.0 billion during the current 5-year business plan period. Going forward, we will work to achieve an appropriate level of capital efficiency.

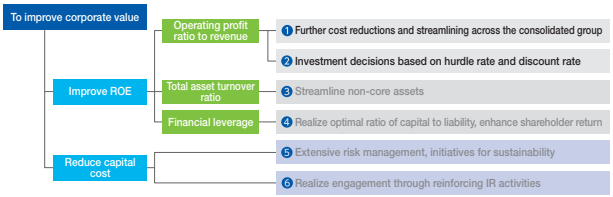
In order to make prioritized investment in oncology area, we sold long-listed products in Japan and the Takatsuki plant for ¥37.1 billion in total in FY2019. The total amount of the assets sold during the current 5-year business plan period was ¥49.0 billion. Going forward, we will continue to review our business portfolio to streamline our assets.

(Billions of yen)

		FY2016 Results	FY2017 Results	FY2018 Results	FY2019 Results	Total
Sale of properties	Sales proceeds	**3.1**	**10.7**	**11.0**	**14.0**	**38.9**
	Gain on sales	0.7	7.6	9.0	10.7	28.0
Reduce cross-shareholding shares	Sales proceeds	**17.3**	**14.4**	**14.3**	**22.0**	**68.0**
	(Number of stock brands)	(14 brands)	(9 brands)	(10 brands)	(12 brands)	(45 brands)
	Gain on sales	9.3	9.8	10.6	14.4	44.2
Business divestment	Transaction proceeds	**1.5**	**—**	**10.4**	**37.1**	**49.0**
	Gain on sales	0.1	—	6.3	19.1	25.4

4 Realize optimal ratio of capital to liability, enhance shareholder returns

In order to support sufficient investment to develop oncology products including *trastuzumab deruxtecan*, we will work to streamline our assets as well as to maintain our strong financial base. With the current equity ratio of around 60% as a guide, we will continue to pay stable dividends and acquire own shares flexibly.



5 Extensive risk management, initiatives for sustainability

Extensive risk management and sustainability initiatives are crucial in order to reduce the risk of declining corporate value.

As for extensive risk management, I oversee corporate-wide risk management as the CFO and risk management officer. I operate the risk management system in conjunction with an annual cycle for formulating and implementing business plans. Based on assessment of impact and the likelihood of occurrence, risks with the potential to significantly impact the management of the company are identified through Management Executive Meeting and the Board of Directors meetings. Risk response measures are enacted as well as modified and revised as necessary.

We are also working to address many issues related to sustainability, with a focus on those identified as materiality issues. We also engage in proactive disclosure of ESG information with the aim of reducing the risk from the viewpoint of investors. We have been selected for major ESG indices including the “DJSI World Index,” in which, we have been selected in the pharmaceutical sector for the first time as a Japanese company and also for three consecutive years.

6 Realize engagement through reinforcing IR activities

Engagement means having conversation with purpose, and we will foster mutual understanding and increase transparency, and thus further improve corporate value through healthy discussions between investors and our management team. In the distribution of IR information, we disclose information in a timely manner while giving consideration to transparency and fairness, and we endeavor to undertake IR activities to allow for narrowing the gap between the corporate value envisioned by people inside and outside of the company. Following the recent enhancement of our pipeline, we have set up meetings and conference calls aimed at investors after study data presentations at major medical congresses in the U.S. and Europe for better and deeper understanding among investors. In addition, we conduct more than 320 meetings with investors annually, including ten international non-deal roadshows a year (interviews with international investors). As CFO, I myself engage by proactively holding conversations with investors and security analysts, to realize engagement.

In Closing

In light of the strong progress in oncology product development focused on ADCs, as well as the launch of the first global product in oncology, we are making steady progress toward realizing the 2025 Vision.

In the midterm, we place high business priority on maximizing the value of *DS-8201* and *DS-1062* through the strategic collaborations with AstraZeneca, and on increasing the value of pipeline with other following ADCs and product portfolio that will transform the SOC for patients and achieve sustainable growth. We will disclose the next 5-year business plan covering the period from FY2021 through FY2025 incorporating the above information in March or April of 2021.

Going forward, I will continue to improve corporate value by enhancing shareholder return while paying attention to the balance between investment and profitability. I appreciate your continued support.

Special feature

Actions against COVID-19

In January 2020, when novel coronavirus disease (COVID-19) spread rapidly through China and other Asian countries, the Daiichi Sankyo Group set up a task force consisting of relevant departments to prepare for a pandemic situation. In late February, prior to the issuance of the WHO Pandemic Declaration, we set up an emergency headquarters headed by CEO and shifted into crisis management system early on. We have taken global measures to prevent the spread of infection and ensure business continuity based on management-level discussions and decision making.

In April 2020, we also established a task force to promote the research and development of vaccines and therapeutic agents on a Group-wide scale, and have been engaged actively in the effort.

Ensure business continuity

Provide a stable supply of pharmaceutical products

Under the impact of COVID-19, the Group continues its production activities and provides a stable supply of products while taking measures to prevent infection, in order to fulfill our mission as a pharmaceutical company.

Take measures to ensure the safety of employees

As part of safety measures against the spread of COVID-19, the Group decided to allow more employees to work from home. As the Group had introduced a work-from-home system for some employees before the spread of the virus, we were able to make this swift decision during the COVID crisis. In addition, the Group removed the limitation on the number of times employees can work from home.

Reduce the burden on medical institutions

Since the outbreak of COVID-19, medical representative (MR) activities have shifted to non-face-to-face information provision with web communication tools in each country. In an effort to reduce the burden on medical institutions, customer visits are prohibited unless requested or unless important information, such as urgent safety information, information on quality issues that may cause serious health hazards, and information on recall, needs to be communicated.

We see the situation as an opportunity to discuss how we should operate in the “with/post-corona” era.

Continue clinical studies

With the highest priority placed on the safety of patients, we continue to perform clinical studies in consideration of notifications from regulatory authorities and the situation of study sites and areas in each country, as well as the reduction of the burden on medical institutions. For patients on medication, we work with investigators and other relevant parties to ensure that the highest priority is given to the safety of patients in the course of continued treatment.

In this connection, some institutions suspended the enrollment of new patients following the spread of infection, however they have begun to resume patient enrollment gradually.

Combat against COVID-19

Research and development of vaccines

Domestic supply of foreign vaccines

AstraZeneca and the government of Japan agreed to holding concrete discussions over the introduction of a COVID-19 vaccine in Japan. The vaccine is currently under development by AstraZeneca and the University of Oxford in the United Kingdom. In response, Daiichi Sankyo has decided to hold discussions with AstraZeneca regarding the formulation of the vaccine in Japan (vial filling, packaging, storage, and other processes), among others. One of our subsidiaries, Daiichi Sankyo Biotech Co., Ltd. (DSBT) will receive undiluted solution of the vaccine and perform formulation procedures. We consider using DSBT’s facilities for “New Influenza Vaccine Development and Production System Development Project”.

Daiichi Sankyo Biotech Kitamoto Plant

In-house development of vaccine

Daiichi Sankyo participates in the "Fundamental Research on the Control of a Novel Coronavirus (2019-nCoV)", which is supported by the Japan Agency for Medical Research and Development. We take charge of the development of an mRNA vaccine using the new nucleic acid delivery technology invented by Daiichi Sankyo. We achieved an increase in antibody titers to the novel coronavirus in a pharmacological evaluation of a prototype mRNA vaccine using animal models. Leveraging this result, we positioned the development of the mRNA vaccine (*DS-5670*) as a priority project. We intend to initiate clinical studies of *DS-5670* around March 2021. We will build the supply system by utilizing the Ministry of Health, Labour and Welfare's "Emergent Initiative to Build Production Capacity for COVID-19 Vaccines (First Round)" adopted in August 2020.

Research and development of therapeutic agents

In June 2020, Daiichi Sankyo have reached a basic agreement with the University of Tokyo, RIKEN, and Nichi-Iko Pharmaceutical Co., Ltd for collaborative research and development on a Nafamostat inhalation formulation. The Institute of Medical Science, the University of Tokyo discovered that Nafamostat could efficiently inhibit the viral entry process. Daiichi Sankyo utilizes the technology acquired through the development of the anti-influenza agent *Inavir* to promote the research and development for producing the inhalation formulation of Nafamostat with the aim to proceeding to clinical studies by March 2021.

Drug repositioning

Daiichi Sankyo is taking a drug repositioning approach to explore drug candidates for COVID-19 treatment. Drug repositioning is the process of reusing an existing product or a substance in an R&D project for a new indication. We are conducting a drug repositioning to search for COVID-19 treatments by evaluating the potential applications of our existing products for COVID-19 treatment and focusing on selecting potential target molecules and chemical compounds for COVID-19 therapeutics using the knowledge and experience of our past and current R&D projects in collaboration with academia and others.

Global relief efforts for COVID-19-affected people

Considering the risk of rapid spread of COVID-19 in areas with undeveloped access to healthcare, Daiichi Sankyo contributed $1 million through Japan Center for International Exchange to the COVID-19 Solidarity Response Fund for WHO, which was established by the United Nations Foundation and other organizations to support WHO in its activities. We also sponsored a matching gift program, whereby the Company donates the same amount as the donation from employees, to make contributions to non-governmental organizations and other bodies for supporting their activities in Japan. In addition, we have hosted a webinar on COVID-19 topics and undertaken various other relief efforts for those affected by the virus in Japan and overseas. As for support, we keep information updated on our website.

Webinar on cardiovascular diseases and COVID-19
(Daiichi Sankyo Portugal)

Future policy

The recent COVID-19 pandemic has brought renewed awareness to the need for vaccines that end the pandemic earlier and help us restore safety and peace in society as well as the importance of preventive care.

With the aim of improving public health, the Daiichi Sankyo Group has been committed to providing a stable supply of seasonal influenza vaccines and enhancing its vaccine supply system for pandemic influenza. We leverage our vaccine business infrastructure that we have built up over the years and our strengths in cutting-edge science and technology to deliver vaccines for COVID-19 and other diseases for which medical needs are high from the perspective of preventive care. In this way, we will continue to pursue our mission of contributing to the enrichment of quality of life.

With regard to the development of therapeutic agents for infectious diseases, we are pursuing research and development to address the field of infectious diseases such as antimicrobial resistance (AMR) and neglected tropical diseases through partnership with external organizations, utilizing knowledge and other resources acquired from our activities to date. For AMR, Daiichi Sankyo decided in July this year to support the development of therapeutic agents for AMR infectious diseases through a contribution of $20 million in total to the AMR Action Fund.*

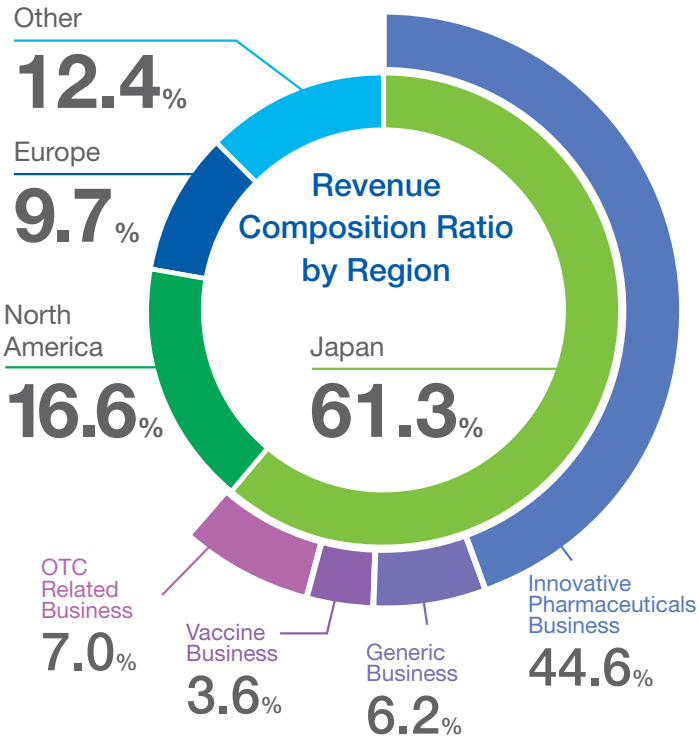
We will remain committed to creating therapeutic agents for infectious diseases that are highly demanded by society through partnership with external organizations.

*A fund intended to promote the development of new antimicrobial agents for AMR

At a glance

Summary of Financial Results in FY2019

		Ratio to revenue
Revenue	¥981.8 billion	–
Cost of sales	¥343.2 billion	35.0%
SG&A expenses	¥302.3 billion	30.8%
R&D expenses	¥197.5 billion	20.1%
Operating profit	¥138.8 billion	14.1%
Profit attributable to owners of the Company	¥129.1 billion	13.1%
ROE	10.1%	
Liabilities	¥799.3 billion	
Total equity	¥1,306.3 billion	
Total assets	¥2,105.6 billion	
Equity ratio	62.0%	



Key Products

Innovative Pharmaceuticals Business

Global

Revenue in fiscal 2019 ¥154.0 billion

Anticoagulant
LIXIANA/SAVAYSA

Generic name *Edoxaban*

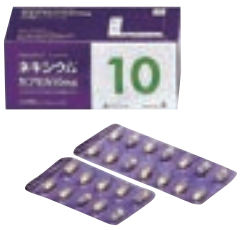
Global

Revenue in fiscal 2019 ¥14.0 billion

Anti-cancer agent
ENHERTU

Generic name *Trastuzumab deruxtecan*

Japan

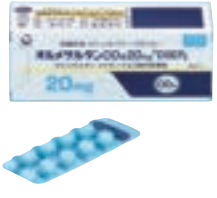


Revenue in fiscal 2019 ¥79.8 billion

Ulcer treatment
NEXIUM

Generic name *Esomeprazole*

Generic Business



Antihypertensive agent
Olmesartan (AG)

Vaccine Business

Seasonal influenza vaccine
Influenza HA Vaccine

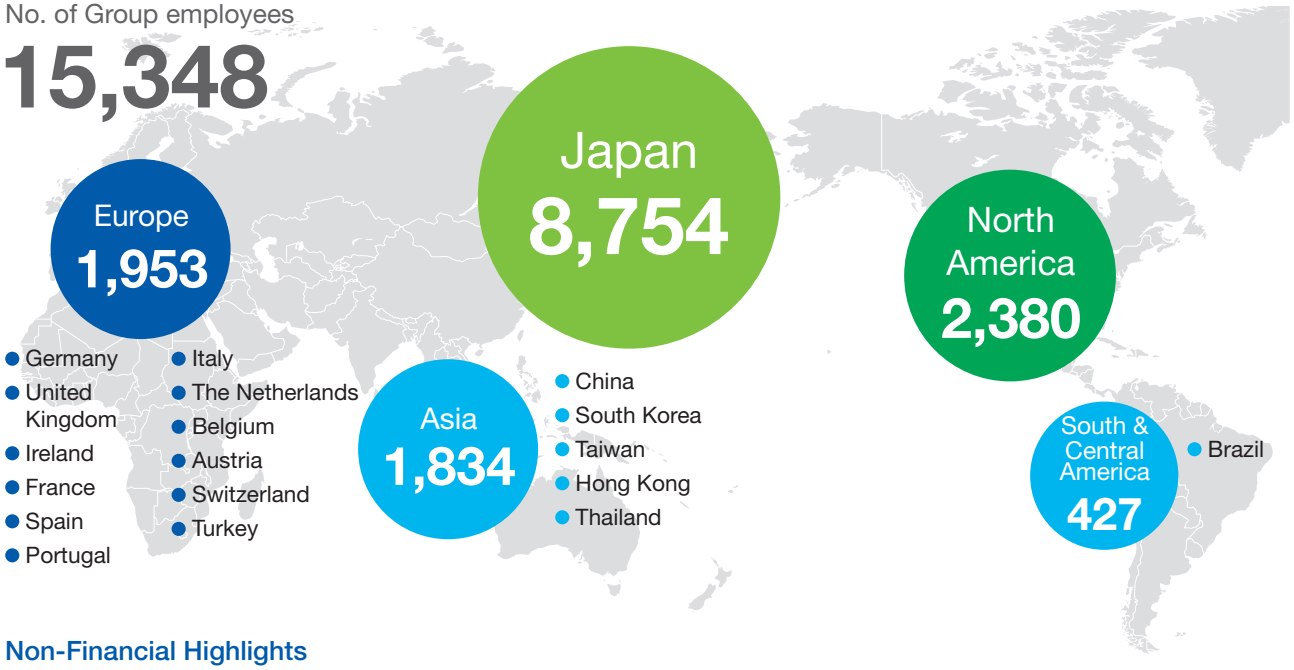
OTC Related Business

Antipyretic analgesics
Topical anti-inflammatory analgesics
Loxonin S/Loxonin S Tape

Employees and Bases (As of March 31, 2020)

No. of Group employees

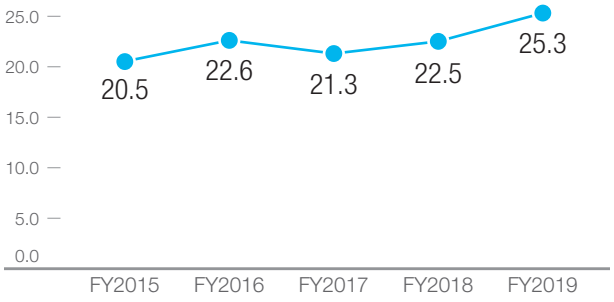
15,348



Non-Financial Highlights

Global

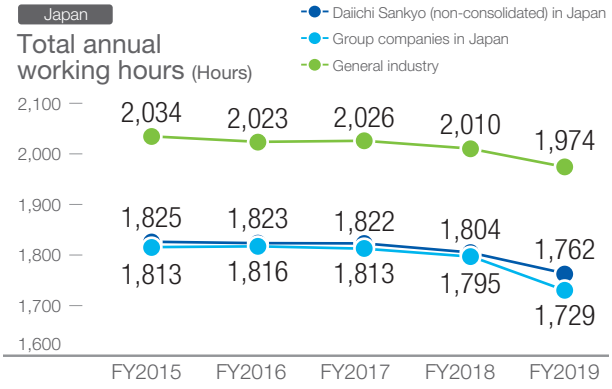
Percentage of women in managerial positions (%)



In fiscal 2019, the percentage of women in managerial positions increased 2.8% from the previous fiscal year to 25.3%. We will continue to work on measures for empowering women.

Japan

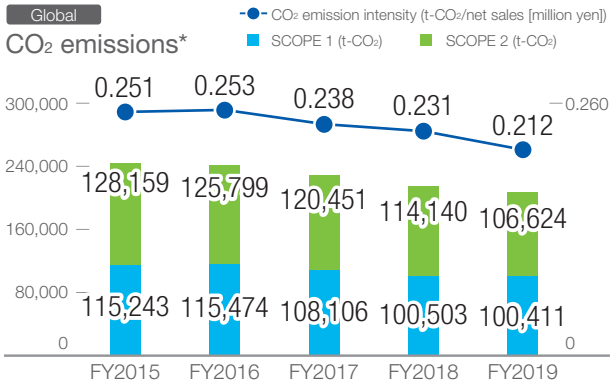
Total annual working hours (Hours)



The total annual working hours in the Daiichi Sankyo Group were approximately 200 hours shorter than those in the general industry in FY2019. The Group companies in Japan have developed measures for preventing long working hours and a flexible shift system, and is promoting work style reforms to ensure that employees are in good mental and physical health and are able to produce results within a limited time.

Global

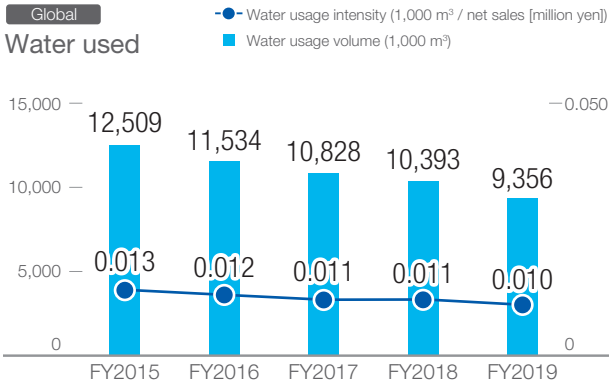
CO_2 emissions*



*CO_2 emissions by Greenhouse Gas Protocol
The Daiichi Sankyo Chemical Pharma Onahama Plant has decided to install a self-consumption solar power system, which is to be put into operation by the end of fiscal 2020. The Group will continue to work on the efficient use of resources and energy.

Global

Water used



Water is an important resource which is essential for the production of pharmaceuticals. The Group identifies the status of water resources in countries and regions where our operating sites are located and the risks and challenges associated with water usage, and takes measures including reducing water consumption by using water reasonably and efficiently, and promoting reuse with purification equipment.

At a glance

At the Daiichi Sankyo Group, we build and expand pipelines constantly placing focus on patients' unmet medical needs.

The R&D unit sets its new strategy of "3 and Alpha," and we proactively allocate R&D expenses and human resources to the three ADCs (*DS-8201*, *DS-1062*, *U3-1402*) to maximize their product values. With Alpha, we intend to contribute to supporting Daiichi Sankyo's sustainable growth, with the goal of nurturing the "buds" of new innovation not only in the oncology field, but also in rare diseases, immune diseases, and other research areas with high unmet medical needs.

Major R&D Pipeline (In-House Development Projects, as of July 2020)

		Generic Name/Project Code Number/MOA	Target Indication	Region	Stage
3 ADCs		***Trastuzumab deruxtecan/ DS-8201*/Anti-HER2 ADC**	Breast cancer (HER2 positive post *T-DM1*)	JP/US	Launched/P3
				EU	Submitted/P3
				Asia	P2/P3
			Breast cancer (HER2 positive vs. *T-DM1*)	JP/US/EU/ Asia	P3
			Breast cancer (HER2 low expression)	JP/US/EU/ Asia	P3
			Gastric cancer (HER2 positive, 3L)	JP	Submitted
				US/Asia	P2
			Gastric cancer (HER2 positive, 2L)	US/EU	P2
			Gastric cancer (HER2 positive, 2L-/1L)	US/EU/Asia	P1
			Colorectal cancer (HER2 positive)	JP/US/EU	P2
			NSCLC (HER2 positive/mutant)	JP/US/EU	P2
			NSCLC (combination with *durvalumab*)	US/EU/Asia	P2
			TNBC (combination with *durvalumab*)	US/EU/Asia	P1/2
			HER2 expressing cancer	US/Asia	P2
			Breast cancer, bladder cancer (combination with *nivolumab*)	US/EU	P1
			Breast, NSCLC (combination with *pembrolizumab*)	US/EU	P1
		***DS-1062*/Anti-TROP2 ADC**	NSCLC, TNBC	JP/US	P1
		***Patritumab deruxtecan/U3-1402*/ Anti HER3-ADC**	Breast cancer (HER3 positive)	JP/US	P1/2
			NSCLC	JP/US/Asia	P1
Alpha	**Oncology**	***Quizartinib*/FLT3 inhibitor**	AML (relapsed/refractory)	US/EU/Asia	P3
			AML (first-line)	JP/US/EU/ Asia	P3 LCM
		***Axicabtagene ciloleucel/ Axi-Cel*™/Anti-CD19 CAR-T cells**	Relapsed/refractory B-cell lymphoma	JP	Submitted
		***DS-1647(G47Δ)*/Oncolytic HSV-1**	Malignant glioma	JP	P2
		Valemetostat/DS-3201/ EZH1/2 inhibitor	Adult T-cell leukemia/lymphoma	JP	P2
			Non-Hodgkin's lymphomas (PTCL)	JP/US	P1
			AML, ALL	US	P1
		Milademetan/DS-3032/ MDM2 inhibitor	Solid tumor (lyposarcoma)	JP/US	P1
			AML	JP/US	P1
		***PLX2853*/BET inhibitor**	AML	US	P1
			Solid tumor	US	P1
		***DS-1001*/mutant IDH1 inhibitor**	Glioma	JP	P2 prep
		***DS-1205*/AXL inhibitor**	EGFRm NSCLC (combination with *gefitinib*)	JP	P1
			EGFRm NSCLC (combination with *osimertinib*)	Asia	P1
		***DS-7300*/anti-B7-H3 ADC**	Solid tumor	JP/US	P1/2
		***DS-6157*/anti-GPR-20 ADC**	Gastrointestinal stromal tumors	JP/US	P1

		Generic Name/Project Code Number/MOA	Target Indication	Region	Stage
Alpha	Specialty medicine	*Edoxaban*/Factor Xa inhibitor	Atrial fibrillation in very elderly patients	JP	P3 LCM
		Prasugrel/ADP receptor inhibitor	Ischemic stroke	JP	P3 LCM
		Esaxerenone/MR antagonist	Diabetic nephropathy	JP	P3 LCM
		Mirogabalin/$\alpha_2\delta$ ligand	Central neuropathic pain	JP/Asia	P3 LCM
		DS-5141/ENA oligonucleotide	Duchenne muscular dystrophy	JP	P2
		DS-1211/TNAP inhibitor	Pseudoxanthoma elasticum	US	P1
		DS-2741/anti-Orai1 antibody	Atopic dermatitis	JP	P1
		DS-2319/nafamostat inhalation	COVID-19	JP	Clinical trial prep
	Vaccines	*VN-0107/MEDI3250*/ Nasal cavity spray live attenuated influenza vaccine	Prevention of seasonal influenza	JP	Submitted
		VN-0102/JVC-001/ Measles-Mumps-Rubella vaccine	Prevention of Measles, Mumps and Rubella	JP	P3
		DS-5670 (COVID-19 vaccines)	Prevention of COVID-19	JP	Clinical trial prep

Clinical trial stage

ALL: acute lymphocytic leukemia, AML: acute myeloid leukemia, IIS: investigator-initiated study, LCM: life cycle management, NSCLC: non-small cell lung cancer, PTCL: peripheral T-cell lymphoma, TNBC: triple negative breast cancer

: Projects in the field of oncology which are planned for application based on the results of Phase 2 trials

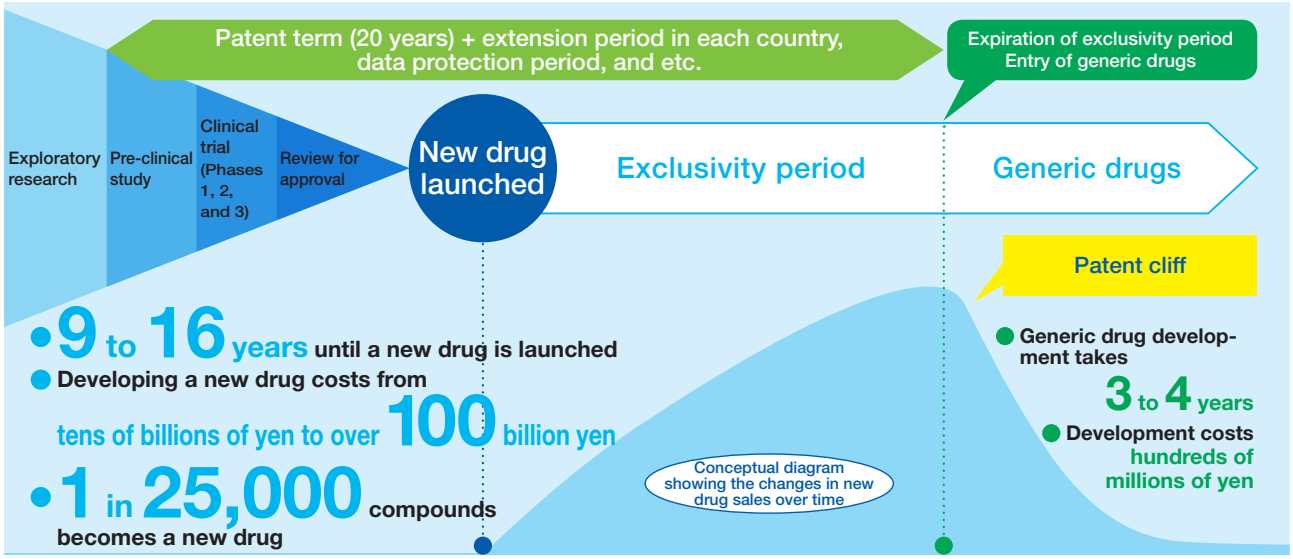
: Projects that have been granted SAKIGAKE Designation (JP) or Breakthrough Therapy Designation (US)

: Projects that have been granted Orphan Drug Designation (JP/US/EU)

Column: Pharmaceutical Company's Business Model

Launching a new drug requires an R&D period spanning some 9 to 16 years, as well as anything from tens of billions of yen to over 100 billion yen in costs. As such, it is said that the probability of creating a new drug is one in around 25 thousand compounds.

Once approved, new drugs can be sold exclusively for a certain period (patent term, data protection period). After launch, sales of the new drug grow during the exclusivity period, but then generally fall dramatically once the exclusivity period ends and generic drugs enter the market. This fall in sales at the loss of exclusivity is called the "patent cliff." In order to overcome the patent cliff and achieve continuous growth, it is essential to continually develop and launch new drugs through R&D.

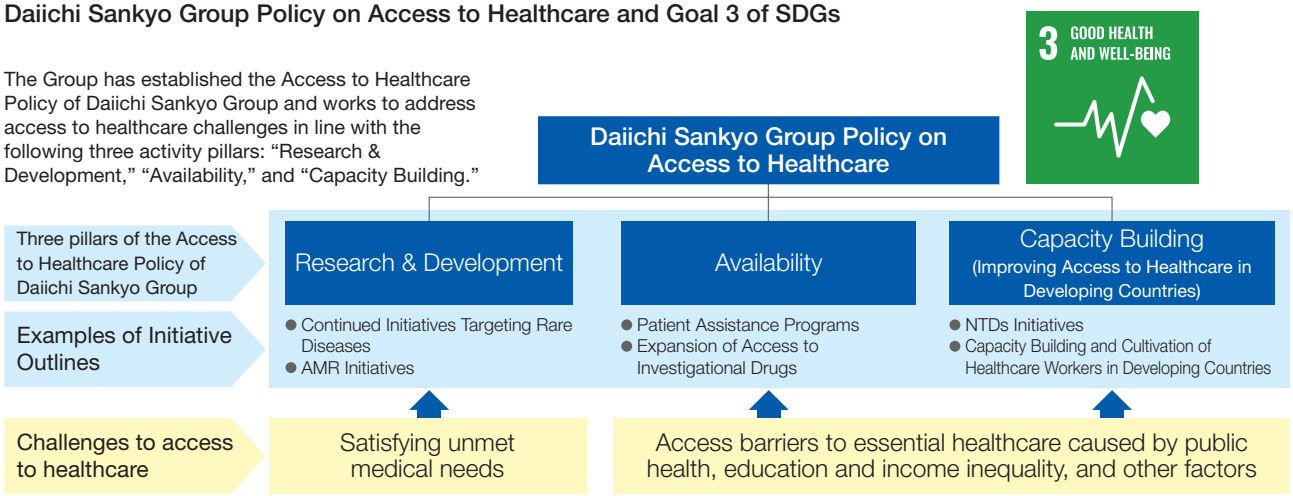


Improvement of Access to Healthcare

In addition to taking actions to address unmet medical needs, one of the important missions of pharmaceutical companies is addressing the problem of insufficient access to healthcare caused by various social factors, such as public health, education, and income inequality. The Daiichi Sankyo Group works on resolving the challenges to access to healthcare throughout its entire value chain in accordance with the Daiichi Sankyo Group Policy on Access to Healthcare. Through efforts to resolve these challenges, we contribute to achieving Goal 3: "Ensure healthy lives and promote well-being for all at all ages" of the Sustainable Development Goals (SDGs).

Daiichi Sankyo Group Policy on Access to Healthcare and Goal 3 of SDGs

The Group has established the Access to Healthcare Policy of Daiichi Sankyo Group and works to address access to healthcare challenges in line with the following three activity pillars: "Research & Development," "Availability," and "Capacity Building."



Continued Initiatives Targeting Rare Diseases

The Daiichi Sankyo Group works actively on the development of pharmaceuticals for rare diseases with a small number of patients and with significant social needs for which no effective treatment is available.

DS-5141, a nucleic acid drug based on Daiichi Sankyo's proprietary nucleic acid modification, is being examined for the treatment of Duchenne muscular dystrophy in phase 1/2 clinical trials in Japan. *DS-4108*, a drug using the same technology, targets glycogen storage disease type Ia (GSDIa) and is undergoing pre-clinical trials. The TNAP* inhibitor *DS-1211*, which targets pseudoxanthoma elasticum, has been evaluated in phase 1 clinical trials in the United States. The table below lists the orphan drugs currently available.

In the field of rare diseases, We will continue its quest to create innovative pharmaceuticals by using the Company's strength in science and technology.

*Tissue non-specific alkaline phosphatase. A membrane-bound enzyme that degrades pyrophosphate.

Orphan drugs

Disease	Drug name
Atypical hyperphenylalaninemia	*Biopten*
Severe spastic paralysis	*Gabalon intrathecal injection*
Toxic methemoglobinemia	*Methylene Blue*
Acute myeloid leukemia	*Quizartinib*
Tenosynovial giant cell tumor	*Pexidartinib*

Measures against Antimicrobial Resistance (AMR)

The emergence and spread of antimicrobial-resistant bacteria is now a major global public health issue. Unless appropriate measures are taken now, antimicrobial-resistant (AMR) bacteria-related infectious diseases are estimated to cause approximately 10 million deaths worldwide per year by 2050. The Daiichi Sankyo Group has taken measures against AMR by partnering with external organizations in utilizing its assets acquired through activities in the field of infectious diseases.

In 2019, the Company signed an agreement to participate in the AMR Screening Consortium led by the Global Antibiotic Research and Development Partnership (GARDP). Daiichi Sankyo is the third Japanese company to participate in the Consortium, which aims to acquire novel compounds with antibacterial activity by using the chemical libraries of the respective companies. Last year, we transferred 110,000 strains of clinical isolates in Japan to the National Institute of Infectious Diseases, free of charge. The isolates were pooled in a drug-susceptibility study of *levofloxacin*, a synthetic antibiotic created by Daiichi Sankyo. These isolates are expected to be used widely for research at the Antimicrobial Resistance Research Center of National Institute of Infectious Diseases.

In July 2020, Daiichi Sankyo decided to participate in and contribute US$20 million to the AMR Action Fund, which was established to support the clinical development of new antibiotics and to realize a sustainable antibiotics market. Through the participation in the Fund, we will promote the development of innovative antibiotics and contribute to the prompt resolution of AMR issues around the world.

Initiatives for Malaria, Tuberculosis, and Neglected Tropical Diseases (NTDs) through Partnerships

The Daiichi Sankyo Group makes the best use of its accumulated scientific findings and global network and promotes partnership-based drug discovery. Collaboration with partners possessing leading edge scientific knowledge around the world brings synergies to initiatives that cannot be completed by the Group alone. This initiative contributes to Goal 17: "Partnerships for the Goals" of the Sustainable Development Goals (SDGs) adopted by the United Nations member states.

Daiichi Sankyo has contributed to the Global Health Innovative Technology (GHIT) Fund since its establishment in April 2013. The GHIT Fund is a public-private partnership originating in Japan and aims to achieve drug discovery for combating infectious diseases in developing countries.

The Group is utilizing the partnership through the GHIT Fund structure to undertake a number of projects, including one to explore clinical candidate compounds for the treatment of Chagas disease, which is considered to be one of neglected tropical diseases (NTDs), and another to explore candidate anti-tuberculosis drugs from natural products.

Capacity Building

Barriers to healthcare access in developing countries are attributable to a wide range of factors, including insufficient healthcare insurance system and medical infrastructure, and shortage of healthcare professionals.

To address these healthcare access-related issues, Daiichi Sankyo has worked since 2011 on vaccination, prenatal and postnatal health checkups and other mobile healthcare field clinic services, cultivation of healthcare workers, and awareness-raising activities for local residents, among other initiatives, in Cameroon, Tanzania, India, and other regions where medical infrastructure is insufficient. In China, we have undertaken activities for 5 years since 2015 to improve the health and nutritional status of children under 5 years of age through cultivation of healthcare workers and strengthening of the abilities of local residents in impoverished areas where ethnic minorities reside.

In Myanmar, we have worked since 2019 on mobile medical services with vehicles, as well as capacity building and awareness-raising activities for healthcare workers, community health volunteers, and local residents. Due to the impact of COVID-19, scheduled activities such as mobile medical services have been restricted. Nevertheless, community health volunteers trained in the project are undertaking awareness-raising activities for disease prevention and follow-up of malnourished children for local residents while receiving support from remote healthcare workers with communication devices.

A child undergoing health checkup

VOICE For healthy lives for all

Sustainability Promotion Department
Environmental Management & Global Health Group
Osamu Watanabe

Since 2011, in collaboration with the international NGO Plan International, we have carried out mobile healthcare field clinics in Tanzania and a training of healthcare workers and a raising awareness among guardians in China. In Myanmar, we are currently implementing a mobile clinic project with vehicles. The ultimate goal of our activities is to enable local people to take over and develop the activities on their own after the completion of the project. The goal has been achieved in the three countries where the projects were completed. In Tanzania, local residents have built a health center by themselves. In China, awareness-raising activities on maternal and child health and nutrition management, among other activities, have spread even outside the targeted areas.

In order to reduce health disparities in the world, we will remain committed to improving access to healthcare and creating an environment where local residents play a central role in solving their problems on their own.

Promoting Compliance Management

Thorough compliance is essential for the sustainable growth of a company. Daiichi Sankyo Group is committed to conducting all of its business operations based on the understanding that compliance is more than just adhering to laws, regulations and rules; it involves acting with the highest level of ethics and social consciousness appropriate for a life science-oriented company.

Implementation of the Daiichi Sankyo Group Employee Code of Conduct

In recent years, global companies are expected to establish broad-ranging global policies regarding the requirements for the behavior of individuals across their respective organizations. Moreover, global policies must be adhered to and disclosed appropriately outside of a company to show that its global business activities are being conducted with integrity. Replacing the Daiichi Sankyo Group Individual Conduct Principles, we have newly established the Daiichi Sankyo Group Employee Code of Conduct ("ECC") to provide broader, uniform standards of individual behavior expected of the executives and employees of all Daiichi Sankyo Group companies must comply with in April 2020.

We are conducting training programs regularly to increase awareness of the ECC.

Compliance Training and Educational Activities

Ongoing compliance trainings and educational activities are indispensable parts of promoting our compliance programs.

In order to promote understanding of compliance, encourage strong corporate ethics, and cultivate an open workplace environment, we have been conducting small group discussion-type trainings (interactive training) using original training materials in the Company and Japan Daiichi Sankyo Group companies since fiscal 2016. Furthermore, we conduct compliance trainings by external specialists on a regular basis for the board members, Members of the Audit and Supervisory Board, Corporate Officers of the Company, and various employees of Japan Daiichi Sankyo Group companies, such as presidents and compliance officers. We also conduct compliance trainings annually for new employees of the Company and Japan Daiichi Sankyo Group companies and newly-appointed managers for each respective position. Employees at overseas Daiichi Sankyo Group companies are also conducting compliance training using case studies and e-learning programs, depending on the circumstances in each region.

Furthermore, we are also working on raising compliance awareness throughout Daiichi Sankyo Group, as part of educational activities in Daiichi Sankyo Group. For example, we periodically send messages of the Company's CEO regarding the importance of compliance globally in order to further raise awareness of compliance.

Using a Compliance Reporting System

We have established and operated a compliance reporting system according to the circumstances in each region. We also implement measures to ensure its effectiveness. It is clearly stated in the internal rules that a person who has reported an actual or potential compliance issues, or who has asked for advice, is protected from retaliation.

The Company has compliance reporting systems in place that can be used to report and consult about legal and regulatory violations, harassment, policy violations, or other internal issues at the Company or Japan Daiichi Sankyo Group companies to the applicable internal Legal Affairs Department, Compliance Department, or to an external law firm in certain special cases. We respond promptly and appropriately to prevent damage from occurring or spreading. There are also harassment consultation contact persons for Japan Daiichi Sankyo Group employees in the Human Resources Department, in each business function, and in external organizations.

Furthermore, each Japan Daiichi Sankyo Group company provides reporting channels such as a hotline or e-mail system.

In addition, the Company also receives reports or consultation from the outside of the Company through the Company's website. In fiscal 2019, the Company and Japan Daiichi Sankyo Group companies conducted group discussion-type, interactive trainings or online trainings for compliance reporting targeted toward all employees.

Each Daiichi Sankyo Group company outside of Japan also provides reporting channels. For example, Daiichi Sankyo, Inc. (DSI) provides a hotline and web-based channels, managed by an outside vendor, for accepting reports of compliance-related matters 24-hours a day, 7-days a week and consultation about such reports. In

addition, Daiichi Sankyo Europe GmbH ("DSE") provides external channels for accepting reports and consultation from European subsidiaries in each language. DSI and DSE also receive reports and consultation from the outside of the companies on their websites.

Measures to Combat Counterfeit Medicines

In response to the growing threat of counterfeit pharmaceuticals, Daiichi Sankyo is reviewing the sealing materials used in the products manufactured and marketed by us, and working on changing their package specifications. We are also working to evaluate and introduce technologies to prevent counterfeit pharmaceuticals from being marketed. In order to enhance the traceability of pharmaceutical products, the labelling of GS1 codes will become obligatory by 2021, and pharmaceutical companies in Japan will be required to display the codes incorporating data on expiration dates and manufacturing numbers on the sales package unit and the tertiary package unit. Daiichi Sankyo is responding to this obligation, and GS1 codes are now being used for more than 90% of our products. They will be used on all products by 2021.

In European countries, the United States, and other countries where serialization*1 is becoming a requirement, we are taking steps to reliably address this in each individual country. Within the United States in particular, we are already responding to serialization requirements based on the Drug Supply Chain Security Act (DSCSA), and we have also completed serialization at sales unit and packaging level.

In addition, we are actively promoting compliance with the GDP*2 to increase the assurance of reliability during the storage and transportation of pharmaceuticals. Moreover, Daiichi Sankyo is a member of Rx-360, a consortium of global pharmaceutical companies and suppliers. The purpose of the consortium is to introduce a global quality assurance system and audit program to prevent counterfeiting. We are also striving to precisely respond in accordance with the regulations and risks in all countries and regions where we operate, in order to combat the global issue of counterfeit pharmaceuticals and are engaging in diligent study to ensure we can safely deliver pharmaceuticals to patients.

*1 The assigning of a unique serial number to each sales packing unit for product logistics management (tracking and tracing).
*2 Good Distribution Practice.

Enhancing Anti-Bribery & Anti-Corruption System

The laws and regulations against bribery and other forms of corruption in countries around the world are growing stricter with each coming year. Thus, it is becoming increasingly important for companies developing their operations on a global scale to implement initiatives for preventing bribery and other forms of corruption.

We clearly state the expectation that executives and employees may not engage in any bribery and corruption practices in the ECC. Along with the ECC, the Daiichi Sankyo Group Anti-Bribery & Anti-Corruption Policy, which was established in October 2017, specifically prohibits cash payment to government officials and healthcare professionals.

We also continue to conduct trainings for anti-bribery and anti-corruption regularly and bolster our anti-bribery and anti-corruption structure. We take measures against bribery and other unwanted activities in business in high-risk countries in particular. The measures include regular visits to our Group companies in such countries by compliance function in the Legal Affairs Department of the Company.

VOICE Establishment of Ethics & Compliance Group

Senior Director, Ethics & Compliance Group, Legal Affairs Department, Daiichi Sankyo Co., Ltd.

Kasumi Fujii

Established in April 2020, the Ethics & Compliance Group of the Company's Legal Affairs Department plays a central role in the compliance promotional activities of the entire Daiichi Sankyo Group. Specifically, the Ethics & Compliance Group serves as the administrative office for the Corporate Ethics Committee and the Global Compliance Advisory Committee in the Company, examines global policies on compliance, conducts Compliance Awareness Surveys, provides compliance training, and responds to hotline reports (and other reporting channels), among other activities. In recent years, it is becoming increasingly important for companies not only to comply with laws, regulations, and other requirements but also to act ethically. In addition to thorough compliance with applicable laws, regulations and other requirements, our Group companies implement a range of compliance promotional activities to encourage all executives and employees to make ethical decisions based on "Integrity." New compliance-related challenges are also emerging as our Group companies' business changes. The Ethics & Compliance Group will work closely with relevant departments across the Company to resolve these challenges and minimize compliance risks.

Promoting Environmental Management

The Daiichi Sankyo Group recognizes, with great importance, environmental issues such as global warming or extreme weather which have impacts on our work and life, and we also understand that these issues are risks that may affect long-term business itself. We work to promote environmental management based on this understanding, and we believe that doing so contributes to a sustainable society and helps build long-term foundations for corporate growth.

Setting a Target to Reduce CO_2 with Consideration for Long-Term Goals (Reducing CO_2 by 37.5% by Fiscal 2030 Compared to Fiscal 2015)

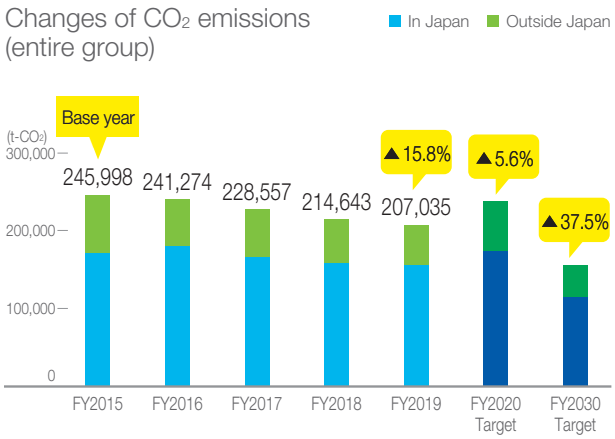
As a target to reduce greenhouse gases, the Daiichi Sankyo Group has set a long-term target of reducing CO_2 emissions by 37.5% by fiscal 2030 (Well Below 2C° target). This target has been approved by the Science Based Targets initiative (SBTi),* which is consistent with the Paris Agreement. Our target to reduce greenhouse gases emitted through business activities at the Group falls in line with the necessary degree of reduction for keeping the average increase in global temperature below 2°C. In fiscal 2019, we achieved a 15.8% reduction of CO_2 emissions from fiscal 2015, meaning that we have gone beyond our target for fiscal 2020 of 5.6% reduction. We will continue to engage in initiatives for CO_2 reduction in consideration of long-term goals in 2030.

*Science Based Targets initiative (SBTi): An international initiative that encourages companies to set CO_2 reduction targets based on scientific evidence in order to help accomplish the goal of the Paris Agreement of keeping the average increase in global temperature below 2°C.

CO_2 emissions target for fiscal 2020
5.6% reduction compared to fiscal 2015

FY2019 Result
15.8% reduction

Changes of CO_2 emissions (entire group)



Utilization of Renewable Energy

The Daiichi Sankyo Chemical Pharma Onahama Plant has decided to install a self-consumption solar power system, which is to be completed and put into operation by the end of fiscal 2020. This will be one of the largest self-consumption solar power systems in the pharmaceutical industry in Japan. The system is expected to supply 3.3 megawatts of power for use in the Plant (estimated annual energy production of approx. 4,155 MWh). The use of renewable energy from sunlight is expected to reduce CO_2 emissions by approximately 1,800 tons per year, which is equivalent to approximately 20% of the Plant's total annual CO_2 emissions.

Moreover, operating sites in Europe and Brazil have significantly reduced CO_2 emissions by expanding the use of renewable energy. For example, the Daiichi Sankyo Europe Pfaffenhofen Plant will install a 0.65 megawatts solar power system. We are continuously endeavoring to incorporate renewable energy for overseas operating sites.

Daiichi Sankyo Chemical Pharma Onahama Plant: concept drawing of the onsite solar power system following completion

CDP Supplier Engagement Rating

In recognition of corporate supply chain engagement on climate change issues to reduce greenhouse gas emissions, Daiichi Sankyo has been awarded a position on the Supplier Engagement Leaderboard by CDP,* an international NGO working in the field of the environment.

In fiscal 2019, more than 4,800 companies were evaluated for their efforts to reduce greenhouse gas emissions and lower risks throughout supply chains, and 159 companies were listed on the Supplier Engagement

Leaderboard. Of the 159 companies, 28 were Japanese companies, which included Daiichi Sankyo. We will continue to deepen our understanding of risks and opportunities related to climate change together with our suppliers as business partners. In addition, we will implement initiatives with environmental and social considerations.

*CDP is an international nongovernmental organization (NGO) based in the United Kingdom that addresses environmental issues such as climate change. CDP requests major companies and cities around the world to disclose information on how they are tackling climate change, water management, and other issues, and conducts surveys and ratings. CDP conducts surveys with the support of institutional investors. CDP is one of the most trusted assessment agencies.

ISO14001 Certification

The Group promotes the acquisition of the international standard for the environmental management system (EMS), ISO14001 certification, in particular, at operating sites that use large amount of energy for manufacturing.

We have acquired ISO14001 certification in a multi-site registration that integrates all production sites of Group companies in Japan in one certification scope. Furthermore, of our overseas Group companies, the Beijing and Shanghai Plants in China, the Altkirch Plant in France, and the Alphaville Plant in Brazil have acquired ISO14001 certification. In fiscal 2019, we acquired ISO14001 certification for the Pfaffenhofen Plant in Germany, bringing the acquisition rate of the certification at production sites to 87.0% (on a CO_2 emissions basis). Other plants, which have not yet acquired ISO14001 certification at this moment, are also working hard to get the acquisition.

VOICE Environmental Protection at Our Pfaffenhofen Plant

Pfaffenhofen Plant is the important production site outside of Japan and significantly contributes to our company's global production capacity.

Managing our environmental impact is a key priority for colleagues in Pfaffenhofen. With their support, we have implemented several measures to transform our vision of sustainability into a reality, such as using hydropower, sourcing heating energy through biomass cogeneration and banning the use of plastic in our canteen.

Additionally, the establishment of a formal environmental management system (EMS) according to DIN EN ISO 14001 was a major sustainability milestone. The project, implemented by a cross-functional core team, led by our EHS Manager Martin Schroeder, enables us to systematically monitor our environmental performance using strategies aimed at reducing our environmental impact. Within a year, we met the requirements defined by DIN EN ISO 14001 and received certification by SGS Group in December 2019.

This achievement would have been impossible without the dedication of our colleagues. We are determined to create a green business, set a positive example for society and to inspire colleagues to adopt sustainable lifestyles themselves.

ISO14001 Project Core Team

Daiichi Sankyo Europe GmbH

Pfaffenhofen Plant (Germany)

Promoting Environmental Management

Information Disclosure Based on Recommendations of the TCFD

In May 2019, Daiichi Sankyo expressed support for the Recommendations of the TCFD, which are intended to support companies in the assessment, management, and disclosure of climate-related risks and opportunities.

We analyze, address, and disclose climate-related risks and opportunities in accordance with the Recommendations of the TCFD.

Governance

The Group has established the EHS Management Committee formed of members including group companies in an effort to protect the environment and ensure the health and safety of employees and contribute to the development of a sustainable society while achieving the uniform management and promotion of environment, health, and safety management for which there is a high likelihood of risks occurring. We hold discussions on policies, target setting, and activities related to global EHS management at this committee twice a year.

In fiscal 2019, the committee met in July and February to discuss measures for combating climate change, optimizing the environmental management system, and disclosing information in response to the recommendations of the TCFD, among other agenda items.

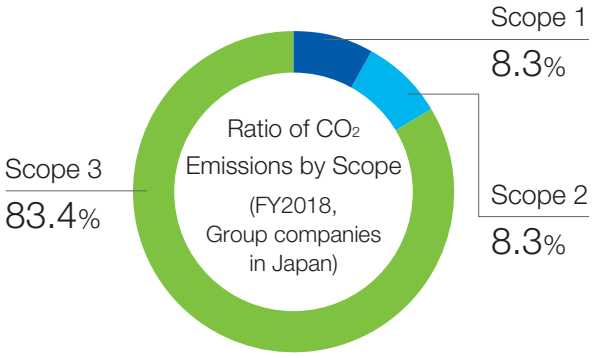
Read more here

Corporate Governance
https://www.daiichisankyo.com/about_us/governance/

Environmental Management Promotion System
https://www.daiichisankyo.com/sustainability/the_environment/policy-system/

Strategy

As the impact of various environmental factors increases, we will need to realize a sustainable society if we are to continue our corporate activities. Particularly for pharmaceuticals, which are life-related products, disruption of the supply chain due to worsening meteorological disasters and a decline in the supply capacity of pharmaceuticals are major risks, both from business and social perspectives. On the other hand, CO_2 emissions are characterized by low direct emissions from business activities (Scope 1 and Scope 2) and high indirect emissions from the supply chain (Scope 3). Thus, we consider transition risks are relatively low. Based on this understanding of the environment, the Daiichi Sankyo Group conducted a scenario analysis and risk assessment in accordance with the Recommendations of the TCFD in order to clarify the resilience of our businesses towards climate change.



Risk Management

As regards climate change risks, a cross-departmental task team was established in fiscal 2019, and workshops on the outline of scenario analysis and the IEA*1/IPCC*2 were held for employees from relevant departments. In this way, we enhanced our understanding of what happens to the world when transition risks increase (1.5°C scenario, 2°C scenario, etc.) or when physical risks increase (4.0°C scenario, etc.). In addition, business risks and opportunities through to fiscal 2030 were examined.

*1 International Energy Agency
*2 Intergovernmental Panel on Climate Change

Risk	
2°C Scenario	Introduction of carbon taxes, increased costs for introducing renewable energy facilities, and reputational risk attributable to insufficient disclosure
4°C Scenario	Supply chain disruption, temporary suspension of operations at company sites, increased air conditioning costs due to rising temperatures, and difficulty in operation due to water withdrawal risk, and reduced productivity of products derived from natural compounds
Opportunity	
2°C Scenario	Measures to achieve Science Based Targets (SBTs)
4°C Scenario	Contribution to diseases that will increase with climate change

Source: 2°C Scenario, IEA WEO 2018 SDS; 4°C Scenario, IPCC RCP8.5

Results of scenario analysis

For each business, the potential impact and resilience (toughness) were clarified, and a comprehensive evaluation was performed, taking into account financial impacts as well as investor perspectives.

Scenario	Key Risk	Event	Potential Impact on Daiichi Sankyo	Degree of Impact	Daiichi Sankyo's Resilience	Business Risk
2°C Scenario (world with advanced transition)	Strengthening policies and regulations related to decarbonization	Introduction of carbon taxes	• A carbon tax 100 $/ t-$CO_2$ in 2030 will result in approx. 2.0 billion yen • Increased costs associated with supplier transition risk responses	Minor	• Adapt to a decarbonized society and turn the risk into an opportunity by continuing to take a range of measures to achieve SBTs, although the financial impact is not significant in terms of amount	Minor/ Opportunity
		Increased costs for introducing renewable energy facilities	• Energy sources are mainly electricity and gas. Renewable electricity is already being purchased in some areas • Replacing all electricity used within the Group with renewable energy will cost 0.3 to 0.6 billion yen, but the impact will be minor	Minor	• Consider all options for de-fossilization (for all fossil fuels, including gas)	Minor/ Opportunity
4°C Scenario (world with increasing physical impacts)	Increased frequency and scale of meteorological disasters (such as heavy rains, floods, and typhoons)	Supply chain disruption	• Increased concerns over the stable supply	Major	• Strengthen inventory control to ensure the stable supply in the event of a disaster • Purchase from multiple suppliers. Raw materials that cannot be purchased from multiple suppliers are to be examined	Minor
		Temporary suspension of operations at company sites	• Key research centers may be flooded • Manufacturing bases are unlikely to be flooded even if located close to a river. However, traffic disruption may lead to temporary suspension of operations	Major	• Continue to examine ways to strengthen our operating bases and optimize our global bases in light of our business continuity plan • Include more training for flood responses/ countermeasures in our emergency drills to enhance resilience	Minor
	Temperature rise	Increased prevalence of diseases associated with climate change	• Increased demand for products for malignant melanoma, cardiovascular, respiratory, and tropical diseases	Major	• Expand research and development of pharmaceuticals for the diseases • Ensure production lines and strengthen inventory control	Opportunity
		Increased air conditioning costs	• At our head office, research and development bases, and manufacturing bases, most operations are performed basically indoors, and air conditioning costs increase as the temperature rises	Minor	• Continue to improve energy efficiency, although the costs are within an absorbable range and their impact is small	Minor
	Water shortages	Risk of operations being infeasible	• Plants in China and Brazil are at greatest water withdrawal risk and are likely to be shut down because of flooding	Major	• In the event of plants in China being shut down for a long period of time, consider emergency supply measures, such as using other manufacturing sites and outsourcing manufacturing, in line with trends in pharmaceutical regulations	Minor
	Biodiversity loss	Reduced productivity of products derived from natural compounds	• No product has been subject to major impacts to date	Minor	• Continue to monitor risks and opportunities for products derived from natural compounds	Minor

Indicators and Targets

As indicators and targets for assessing and managing climate-related risks and opportunities, the numerical targets specified in the Medium-Term Environmental Management Policy are used. Progress has been made as planned. Based on the results of this scenario analysis, we will include more aggressive indicators and targets in the next Medium-Term Environmental Management Policy.

Fourth Medium-Term Environmental Management Policy (FY2016–FY2020)

Fourth Medium-Term Environmental Management Policy
Lower the environmental impact of all operations by conserving energy and resources, or reducing greenhouse gas emissions and waste.
Lower environmental risks by continuously improving our environmental management systems in such areas as environmental compliance, pollution prevention, and chemical substances management.
Manage the external risks that have the potential to generate a change in business operations, such as climate change and water risks.
Ensure that operations reflect the need to preserve biodiversity and use ecosystem services sustainably.
Enhance environmental disclosure, improve the reliability of information, and engage in environmental communications with stakeholders.

Read more here **Promoting Environmental Management**
https://www.daiichisankyo.com/sustainability/the_environment/policy-system/

Mutual Growth of Employees and the Company

The Daiichi Sankyo Group positions its people as the most important asset. We respect diversity and work to realize the mutual long-term growth of the company and the employees who act based on our Core Values of Innovation, Integrity and Accountability. We realize this by encouraging them to have a high level of engagement and contribution.

Cultivate Employees with Highly Competitive Skills

We define our human resource management under the Daiichi Sankyo Group HR Management Philosophy, fairly treating employees who share our Core Values wherever they may be in the world, developing their talent and helping them make maximum use of it. Furthermore, by providing rotational opportunities for our employees among our locations in different countries and regions to experience different cultures and ways of thinking and creating an environment in which diversity is respected, we generate a competitive advantage that benefits our global business activities.

Proactive Employment of Talents from Around the World

In the belief that diversity is the source of organizational learning and competitive advantage, we actively welcome talented person out from around the world for all positions and business fields. When making recruitment decisions, in addition to each individual's career experience, we also evaluate individuals based on the elements required to drive our global organization forward, namely "Intercultural Competency, Respecting People and Values, and Embrace Change." Decisions are made following a review by a team of related parties made up of individuals from different regions and cultures.

Promoting Group Talent Management

In order to continually produce quality leaders responsible for the Group's future, we are promoting Group talent management that focuses principally on the development of next-generation leaders. We identify the key positions required for the realization of management vision/mid-term business plan (a total of 22 positions as of April 2020) at the global level, ensuring the visibility of successor candidates and challenges surrounding the successor development. In addition, we are also working to promote leadership development measures tailored to employees' individual challenges, such as the provision of opportunities and positions that facilitate further growth, and the provision of training programs, allowing us to secure and retain optimal talents. We have also been actively providing international assignment and overseas study programs to allow future leaders to comprehend global business and expand their knowledge. As of April 2020, 105 individuals are engaged in work outside of Japan.

Promoting Active Participation of Internal Human Resources to Realize Our 2025 Vision: the COF Project

To achieve our 2025 vision of becoming a Global Pharma Innovator with competitive advantage in oncology, and the transformation of Daiichi Sankyo from a company with a business focused principally on the area of cardiovascular to a global company offering innovative pharmaceuticals in

COF Project Overview

	FY2017	FY2018	FY2019
Overview	Identify focus areas, formulate workforce plan, and develop deployment policy	Promote actual deployment and develop the CDP*	Promote actual deployment and functional efficiency improvements
Project activities	**Project launch** • Share management policies • Top-down deployment of workforce • Middle-up functional efficiency improvements **Identify focus areas** • Identify focus areas and set numerical deployment targets for each area • Formulate detailed three-year workforce expense plans **Set deployment / education policy** • Develop deployment policy • Develop education policy	**Update numerical deployment targets** • Renew numerical deployment targets according to the progress of oncology business • Develop training programs for employees transferred from other function, develop the CDP • Promote functional efficiency improvements (including the reorganization of R&D Division)	**Update numerical deployment targets** • Renew numerical deployment targets according to the progress of oncology business • Promote functional efficiency improvement (including aggregation of data science functions)
Principal timeline for oncology business	August: Received Breakthrough Therapy Designation from FDA for breast cancer treatment using *DS-8201* August: Started Phase 2 clinical trials of *DS-8201* for treatment of breast cancer March: Received SAKIGAKE Designation from Japanese Ministry of Health, Labour and Welfare for stomach cancer treatment using *DS-8201*	May: Started Phase 2 clinical trials of *DS-8201* for treatment of non-small cell lung cancer September: Started Phase 3 clinical trials of *DS-8201* for treatment of breast cancer March: Started global partnership with AstraZeneca for pharmaceutical development and commercialization	September: Application for approval of manufacturing and commercialization of *DS-8201* in Japan December: *DS-8201* approved for sales in the US January: Launch of *ENHERTU* in the US

* Career Development Program

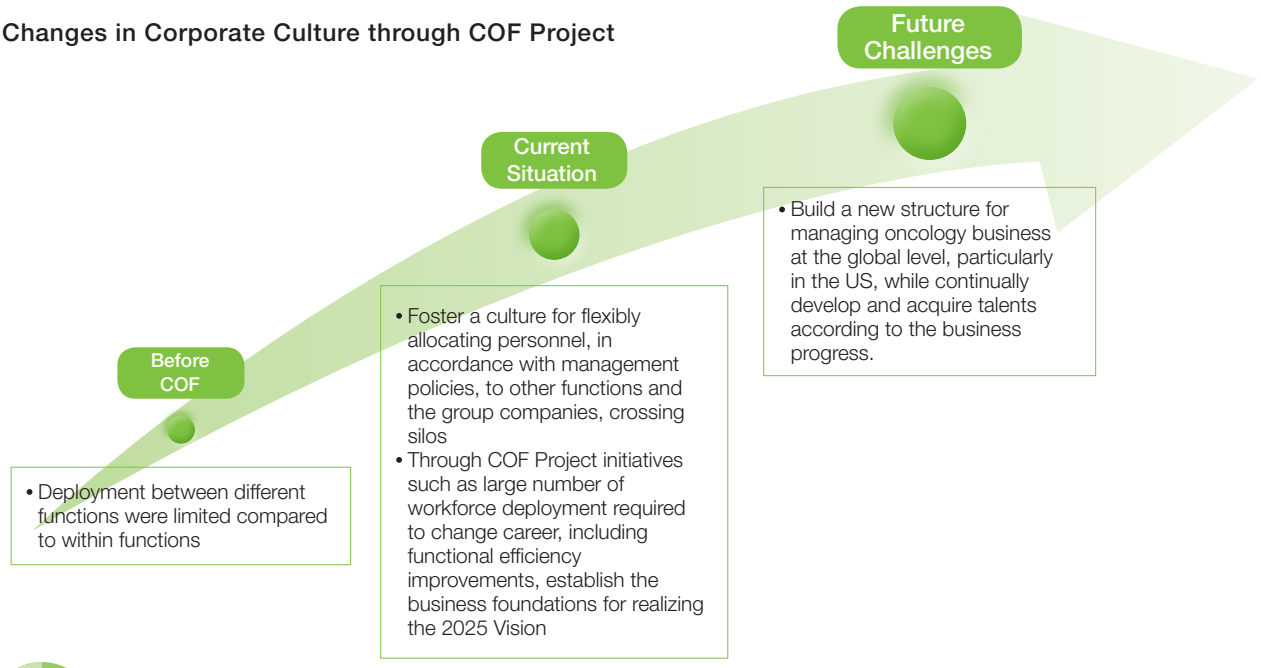
specialty area centered on oncology, we need to continue further allocating our business resources to the areas where we are building our capacity.

In accordance with the principle of "proactively invest in internal talents," we started in 2017 the Create Our Future (COF) project in Japan, under which we deploy, in a timely fashion, adequate workforce as required, particularly in the areas of oncology and bio-pharmaceuticals, which we are positioning at the core of our future business. We aim through this project to achieve the group's sustainable growth.

Through this project, in order to support employees who will be taking on challenges in new areas, we launched the Career Development Program (CDP) in Japan which, specifically, included support for diverse career development such as dialogue between supervisors and their subordinates to confirm future career over the medium-to long-term through "Individual Development Plan". CDP also provides information about job description as well as expected work experience, knowledge and skills at each organization, and future career path model via the company's intranet site. In addition, we provide training on the special skills required to demonstrate a performance after moving to a new post as well as comprehensive education systems.

Through the COF project, 803 employees in Japan were allocated to new areas in which the Company is strengthening its capacity over the three years up until and including April 2020. These efforts not only allow us to flexibly deploy workforce in accordance with our management policies, going beyond the silos between functional organizations/group companies, but they also help foster a corporate culture in which employees positively take on new career challenges.

Changes in Corporate Culture through COF Project



VOICE Taking a step forward allowed me to find a new version of myself

Clinical Safety & Pharmacovigilance Division
Pharmacovigilance Department
Safety Planning Group III

Kengo Noguchi

As someone who worked as a researcher for more than 18 years after joining this company, I was not at all expecting to start working in a division for safety management. At first, I was confused and thought "why me?" but I soon started taking it positively, realizing it could be an opportunity for a new career development. In my new position, I am responsible for the safety measures required for post-launch pharmaceuticals in fields such as oncology and infectious diseases. Even in my new role, there are many situations that allow me to leverage the knowledge and experience I built up as a researcher, and this has allowed me to feel how all of our jobs are tied together through science, even across different divisions.

As I was unaware of any work outside my previous department, I first felt a strong resistance to suddenly taking up something new, but after the transfer I realize that, although the approach is different, all of the different divisions are working towards the same objectives and the same goals. In future, I hope that I make use of my knowledge and experience that I have fostered so far, so that I can improve my strengths.

Mutual Growth of Employees and the Company

Promoting Diversity and Inclusion (D&I)

The Daiichi Sankyo Group takes a broad definition of diversity which includes not only nationality, gender, age and other personal attributes, but also the different specialties and approaches required for each job as well as differences in values and lifestyle. We understand that crucial aspect for developing global businesses and creating innovation is that all employees actively accept each other's diversity and exhibit their abilities to the greatest extent possible. As such, we engage in initiatives to foster a culture of mutual respect among employees.

Initiatives to Promote the Active Role of Women

In accordance with the "Action Plan for Empowering Women" produced by Japan Daiichi Sankyo in 2016, we seek to address following objectives; (1) encouraging the professional development of female employees, (2) supporting work-life balance, and (3) fostering a positive workplace culture. We are implementing a wide range of initiatives to address these objectives including providing various types of training and comprehensive systems for supporting work-life balance.

In FY2019, we held a career design seminar in Japan for female employees, whose careers may be easily impacted by life events. More than 200 employees across Japan were provided with an opportunity to discuss their career and life plan, with a view to continuing to make a vibrant contribution in the workplace, as well as in their own goals. We also held discussion meetings in Japan for employees who are working while raising children. In this forum, employees discussed concerns and worries on balancing career and family, and shared ideas for how to overcome these issues. This initiative created a network for easily accessible consultations among the employees.

From the perspective of fostering a positive workplace culture, we have striven to promote understanding in the management of the organization among newly appointed managerial employees so as to appreciate the variety in team members, and to view these differences as strengths, thus improving the capability of the organization.

Going forward, in Japan, we will continue to take initiatives based on our action plan to create a workplace environment in which female employees can develop their career over the long term and contribute in managerial positions or in roles as line managers.

Creating a Workplace Environment that Empowers People with Disabilities

We set a medium-term policy for the employment of people with disabilities in Japan, and promote such employment at Group companies such as Daiichi Sankyo Happiness (a special subsidiary company that meets the terms of the Act on the Promotion of the Employment of Disabled Persons). We subdivide and simplify workplace tasks to enable people with disabilities to make active participant, taking on work from various other Group companies. In FY2019, the Daiichi Sankyo Group companies in Japan employed individuals with disabilities at a ratio of 2.3% (the legally required employment ratio is 2.2%).

Preparing LGBT-Friendly Environment

We are proactively improving our workplace to become more LGBT-friendly in two ways, firstly through the education required to create an accepting corporate culture and secondly through the provision of appropriate employment conditions. In FY2019, we invited experts from outside company to speak at a seminar for our human resources personnel and provided a poster session on LGBT issues in RD Forum in Japan. In FY2020, we implemented e-learning programs for all of our employees. In addition, for same-sex partners who meet the designated conditions, we plan to apply the same employment conditions, including welfare benefits and various allowances, as those granted to legally married couples.

COLUMN

Aiming to create a workplace where every individual employee can play an active role

Thinking about female empowerment in the workplace: Current situation and perspectives for the future

We brought together employees from various different organizations and divisions in Japan to discuss and exchange opinions on empowerment of women in the workplace. We heard views on various topics including each attendee's past personal experience, the changing workplace environment for women, and the workplace environment that the Daiichi Sankyo Group aims to achieve for the future.

Below are some of the attendees' comments:

- **It's important to focus on respecting the individuality, not just on visible elements such as gender.**
- **Rather than insist on adhering to previous ways of working, I want to create an environment in which each individual can play an active role.**
- **We should get beyond the phrase "female empowerment," to create a society in which all employees can work with energy and passion.**
- **We should strive to build systems which enhance mutual support available at any time.**

Participants in the meeting to exchange views

Employee Health and Work Style Reforms

In order to create a company in which each individual employee can work energetically in the best of physical and mental health, and make maximum use of their capabilities, we are implementing various measures relating to employee health management and working environment.

Enhancing Health and Productivity Management

In order to further strengthen our initiatives for the maintenance and improvement of employee health, the Daiichi Sankyo Group is working to enhance health and productivity management under our internal system led by the chief executive officer of EHS management. In order to provide an environment that allows employees to accurately understand their personal health status and take action to maintain and improve their own health, we are also strengthening initiatives including setting evaluation indices and goals, based on the health guidance and education which help them achieve the goals.

Evaluation Indices and Goals for Health Maintenance and Improvement in Japan

Evaluation Index	FY2018 Results	FY2019 Results	FY 2020 Target
Smoking rate	17.9%	16.9%	15%
Ratio of implementing health-related events at each workplace	74.3%	79.4%	100%
Self-care initiative rate*1	73.7%	79.5%	80%
Ratio of medical examination	62.4%	63.1%	80%
Ratio of conducting specific health guidance	39.6%	—	50%
Ratio of individuals with abnormal findings receiving checkups at a medical institution*2	89.0%	85.2%	100%

*1 The rate of self-care initiatives taken by people designated as having high levels of stress as a result of stress checks
*2 The ratio of employees that have received checkups at a medical institution after being instructed to do so in regular checkups

Support for Diverse Work Styles and Work Hour Management in Japan

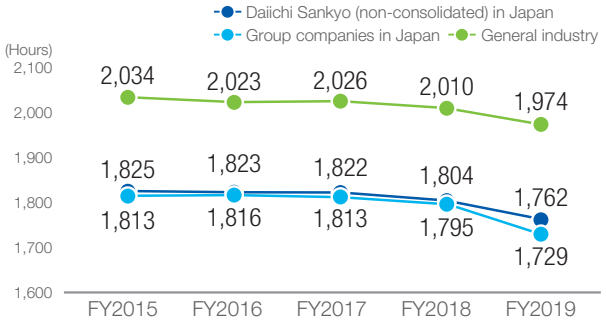
Through initiatives such as appropriate work hour management and the introduction of flexible working arrangements, and also through events such as seminars and discussion meetings on balancing a career with child rearing/caregiving, the Group is continually working to create an environment which is comfortable for a diverse range of employees to work. From FY2019, we have provided even more flexible working arrangements by abolishing core time in our flex time system. Through innovating new ways of working, we seek to create more time, aiming to enable employees to have more time away from work, whereby achieving “productivity improvement” and “promotion of the work-life cycle.”

To prevent employees from working excessive hours, in FY 2019 we introduced a working hours interval system, which requires employees to take at least an 11-hour break between finishing work and starting their next shift. In addition, the Company has set a standard limit on the number of work hours since FY2018. This limit applies to all employees, including those under the discretionary work system. Labor and management collaborate together for other initiatives such as providing guidance and implementing work improvements for health management. In FY 2019, the total annual working hours in the Daiichi Sankyo Group (in Japan) were 1,729 hours, 245 hours shorter than those in the general industry.

A diverse range of work hour adjustment systems in Japan

Work hour adjustment system		Principal application
❶ Fixed Time System		Production division
❷ Flex time system		Corporate staff division
❸ Discretionary work system	For planning work	Corporate staff division
	For specialized work	R&D division
❹ System for working hours treated as off-site		Sales division
❺ Not subject to work hour management		Those in managerial positions

Total annual working hours



Evaluation for personnel-related corporate activities

- 2020 Certified Health and Productivity Management Organization Recognition Program (Large Enterprise Category)—White 500
- Kurumin / Platinum Kurumin certification
- Eruboshi Certification
- Award for Outstanding Offices for the Employment of Persons with Disabilities (Minister of Health. Labour and Welfare Award, JEED president’s Award)
- 20th Telework Promotion Awards, honorable mention (Implementing Telework category)

Respect for Human Rights

The Daiichi Sankyo Group established the Daiichi Sankyo Group HR Management Philosophy in 2012. Since then, we have worked to improve our workplace environment, in which we respect employees' diversity and takes their health and safety into consideration. In 2019, we revised Daiichi Sankyo Group Corporate Conduct Charter and declared "Respect for Human Rights" in Article 4, clarifying our Group's position. We have also included "respect for the rights of all people and compliance with labor standards" in the Daiichi Sankyo Group Employee Code of Conduct.

Under the belief that respect for human rights is at the foundation of the corporate activities we engage in line with our mission, the Daiichi Sankyo Group is strengthening various human rights initiatives.

Establishment of Human Rights Policy

The Daiichi Sankyo Group Human Rights Policy was established in June, 2020 following the approval of the Company's Board of Directors.

As we engage in our corporate activities, we comply with all human rights related laws and regulations, respecting international codes of conduct and fundamental regulations on human rights, including the Universal Declaration of Human Rights. At the same time, we also identify human rights related issues in connection with our business activities from perspectives such as "Responsibilities as a global pharmaceutical company," "Human rights in our supply chain," and "Responsibilities in the workplace."

Going forward, we will continue to build a system for human rights due diligence* based on this policy, keeping up-to-date with human rights issues globally, and will strive to avoid a negative impact on human rights which may occur through our business activities.

*A framework to understand, evaluate, prevent and reduce existent and potential human rights risks in corporate activities

Respect for Human Rights in Procurement

The Daiichi Sankyo Group requests its major business partners to conduct a CSR Self-Assessment Survey every three years based on the Business Partner Code of Conduct, in order to deepen their understanding of our Group's view and strengthen communication with them. Approximately 350 major domestic and global business partners responded to the first survey. We confirm the initiatives business partners are implementing to protect human rights through this survey, which includes questions related to "labor and respect for human rights."

We also conducted a follow-up survey. In fiscal 2019, we had face-to-face communication with 20 partners to help them gain an in-depth understanding of our Group's sustainable procurement policy and to exchange views for generating ideas and sharing issues. These efforts aimed to promote sustainable procurement based on mutual cooperation.

	Number of companies receiving the questionnaire	Number of respondents (Response rate)	Number of companies we communicated with
Total	**381**	**355 (93%)**	**20**
Sub-total of (1) to (3)	248	230 (93%)	17
(1) Raw Materials*1	119	113 (95%)	11
(2) Licensed Products and Consigned Manufacturing Products*2	99	92 (93%)	2
(3) Manufacturer/ Non-tier 1 Supplier*3	30	25 (83%)	4
Indirect materials*4	133	125 (94%)	3

*1 Raw materials for the pharmaceutical products manufactured by the Daiichi Sankyo Group
*2 Outsourcing to contract manufacturing organization
*3 Manufacturers of raw materials for our products that have no direct contract with the Daiichi Sankyo Group
*4 Purchased goods (facilities, equipment, services) other than those described in (1) to (3)

Respect for the Human Rights of Participants in Clinical Trials

Daiichi Sankyo conducts clinical trials in accordance with the Declaration of Helsinki that defines the standards for ethical medical research involving human subjects, while also adhering to ICH*1-GCP*2 and complying with the applicable regulations of relevant countries. This means that clinical trials are only conducted after obtaining voluntary informed consent from participants. All clinical trials sponsored by Daiichi Sankyo are evaluated in terms of ethical standards and scientific validity based on internal review processes. In particular, we ensure that our first in human study is an appropriate through clinical trial review meetings that include employees who are qualified physicians as review members. Furthermore, clinical trials are conducted after an external independent committee (Institutional Review Board / Independent Ethics Committee) also reviews the same content (human rights of trial subjects, etc.) and approves the conduct of clinical trials. Daiichi Sankyo provides training programs on GCP and Ethics related to clinical trials to people who are engaged in clinical trials. R&D & PV Quality Assurance Department conducts audits of the Company's clinical trial activities to promote appropriate correction and preventive measures.

*1 Abbreviation of "International Council for Harmonisation of Technical Requirements for Pharmaceuticals for Human Use."
*2 Abbreviation of "Good Clinical Practice," implementation standard of clinical trials of pharmaceuticals.

Sales & Marketing

Japan Four Businesses Responding to Diverse Medical Needs

In Japan, with the birth rate declining and the population aging, not only the treatment of diseases, but also medical cost reduction, prevention, self-medication, and other diverse medical needs are being highlighted in line with changes in society.

The Daiichi Sankyo Group engages in 4 businesses focused around one of its strengths, the innovative pharmaceutical business,* the other 3 are the generic business, vaccine business, and OTC-related business. As the No.1 company in Japan, Daiichi Sankyo addresses a wide range of medical needs of society, making comprehensive contributions to medicine in the country.

* Pharmaceuticals protected during the exclusivity period granted by reexamination period and patents

Innovative Pharmaceuticals Business: Sales & Marketing Unit

Japan is an important market for the Daiichi Sankyo Group in terms of its revenue generated on a regional basis. The Sales & Marketing Unit delivers a wide range of innovative pharmaceuticals to patients in Japan, ranging from the anticoagulant *LIXIANA* and other products in the primary care area*1 to oncology products, among others, in the specialty care area.*2 Taking the perspective of total care centered on patients, we aim to meet the needs of each customer and to contribute to healthcare in Japan by providing relevant information correctly, quickly, and carefully to all healthcare professionals who treat patients with diverse symptoms and conditions.

*1 Drugs mainly prescribed by general practitioners
*2 Drugs mainly prescribed by hospitals/specialists

Strength and Challenge

Based on the BRIDGE's*1 concept of serving as a bridge between patients, their families, and healthcare professionals by emphasizing the connection between people, and providing proper information and products, we develop medical representatives (MRs) activities with the aim of being recognized as a reliable medical partner by everyone involved in healthcare. These activities have been highly evaluated by healthcare professionals. In a survey conducted by an external organization, we have been ranked No.1 for MR evaluation for 8 consecutive years.*2

In order to maintain our sales capabilities, we have developed and improved internal training programs and worked to foster a corporate culture of self-improvement. As a result, all MRs have passed the certificate test for 10 consecutive years. Going forward, we will place a new focus on developing MRs with oncological expertise, considering the increasing importance of oncology products. We intend to encourage MRs to enhance their sales capabilities so that they can respond to a wide range of ever-changing information needs at the right time, in the right way, and in a manner tailored to each and every healthcare provider.

*1 Bright Days Together
*2 Based on survey conducted by INTAGE Healthcare Inc.

Progress of Major Initiatives

Growth of *LIXIANA*

LIXIANA (*edoxaban tosilate hydrate*) is an oral anticoagulant developed by Daiichi Sankyo.

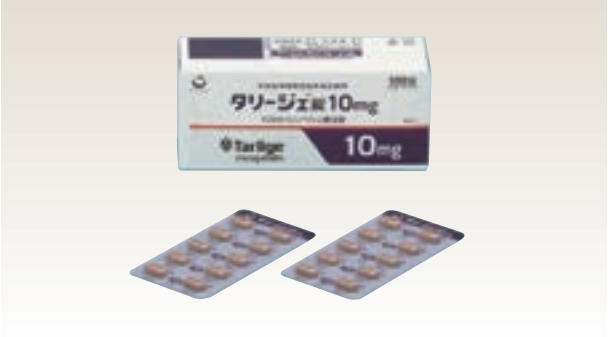
With its excellent usefulness and high convenience of once-daily dosing, we work to make a medical contribution and promote the proper use of *LIXIANA*, with the hope of helping the prevention of thromboembolism in many patients who need anticoagulant therapy.

In fiscal 2020, *LIXIANA* will overcome the impact of special expansion re-pricing and maintain the No.1 market share as the Group's mainstay product. We will promote and support the growth of OD tablets (orally disintegrating tablets) by leveraging its strength, which is highly regarded for its ease of use particularly in elderly patients.

Growth of *Tarlige*

Tarlige (*mirogabalin besilate*) is a domestic peripheral neuropathic pain*1 treatment developed by Daiichi Sankyo. The drug binds strongly and continuously to the calcium channel $\alpha 2\delta$-1 subunit*2 and exerts analgesic effects.

*1 Pain resulted from damage or dysfunction of peripheral nerves arising from a variety of causes. Typical examples include diabetic peripheral neuropathic pain and postherpetic neuralgia.
*2 The subunit is involved in the development and maintenance of peripheral neuropathic pain



Sales & Marketing

We make a contribution to patients and healthcare professionals by offering the new treatment option in the field of peripheral neuropathic pain. In addition, we promote the proper use of *Tarlige*.

In fiscal 2019, which was the first year of *Tarlige* being distributed, the drug was prescribed to patients who have concerns about peripheral neuropathic pain in everyday life. As a result, we expanded our market share. In March 2020, the limitation on the duration of treatment with the drug was lifted. We will continue to promote the proper use and work to further grow *Tarlige*.

Launch of *ENHERTU*

In May 2020, Daiichi Sankyo launched the treatment for malignant tumors, *ENHERTU* (*fam-trastuzumab deruxtecan-nxki*). *ENHERTU* is a promising new product in the field of oncology.

We make a contribution to patients and healthcare professionals by offering the new treatment option to patients with HER2 positive unresectable or recurrent breast cancer who have been previously treated with chemotherapy (limited to the use to patients who are refractory or intolerant to standard treatments). In addition, we promote the proper use of *ENHERTU*.

Generic Business: Daiichi Sankyo Espha Co., Ltd.

The Government of Japan is promoting the use of generic drugs to reduce the burden on patients and improve the national health insurance finances.

With the increasing need for generic drugs and high expectations from society, Daiichi Sankyo Espha takes pride in being as an innovator in the domestic generic pharmaceutical industry and to contribute to increasing medication adherence*1, provides authorized generics (AG)*2, or a new standard for generics featuring formulation, labelling, and packaging innovations that are easy to swallow but hard to swallow accidentally. In this way, Daiichi Sankyo Espha works to meet diverse needs of patients, their families, and healthcare professionals.

*1 The extent to which patients actively follow a medication regimen as prescribed by their health care providers

*2 Generic drugs that are the same as their original drugs in drug substances, additives, manufacturing method, and other aspects, and are marketed with permission from brand-name pharmaceutical companies

Strength and challenge

Daiichi Sankyo Espha's AGs are generic drugs that take over the asset of trust accumulated by original drugs in clinical practice and contribute to patients and healthcare professionals. With these AGs, Daiichi Sankyo Espha offers trust and confidence that it has fostered as a manufacturer of new drugs.

With a steady increase in the use of generic drugs in Japan, the role of generic drug companies that serve as an infrastructure supporting healthcare is becoming increasingly important. In addition to ensuring the quality of a large number of products, a long-term stable supply of them is demanded by society.

Daiichi Sankyo Espha operates with the goal of offering generic drugs that are reliable in terms of quality assurance, stable supply, information provision, and economy, which are the most important factors for pharmaceuticals.

Progress of key initiatives

Expand the lineup of oncology drugs

A number of huge seller AGs launched to date (i.e., *telmisartan* family, *olmesartan*, *rosuvastatin*, *silodosin*), as well as subsequent educational activities for physicians and pharmacists, among others, have built up trust of Daiichi Sankyo Espha of AG.

However, the company never remains the same and is currently enhancing its product portfolio to evolve from Daiichi Sankyo Espha of AG to Daiichi Sankyo Espha of AG with competitive advantage in oncology. In accordance with its policy to ensure information sharing with physicians in medical institutions, medical representatives dedicated to medical institutions are assigned to promote the 4 ingredients of *gefitinib*, *bicalutamide*, *anastrozole*, and *tamoxifen*.

Packaging that reduces the risk of accidental ingestion

There are cases where the family members of patients, especially small children, take relatively high risk medicines such as anticancer drugs by mistake. Daiichi Sankyo Espha developed outer packaging for PTP sheets (C-Guard/Child Guard) for the purpose of preventing people from accidentally touching drugs and drugs from falling out, with the added feature that it prevents accidental ingestion by small children.

Vaccine Business

The global 2009 H1N1 influenza pandemic triggered a surge in interest in vaccines to prevent infectious diseases in all countries around the world, including Japan. The recent outbreak of COVID-19 has had a significant impact on the economy and people's daily lives and further intensified the need for vaccines to unprecedented levels.

The Daiichi Sankyo Group is fully aware of its social responsibility as a domestic pharmaceutical company running a vaccine business. With the aim of enhancing the environment surrounding preventive care in Japan and improving health and hygiene as an integral part of the national security, the Group promotes the vaccine business.

Strength and challenge

Some of the vaccines produced by Daiichi Sankyo are used for routine vaccination. Therefore, the Company is responsible for providing society with a stable supply of the required amount of vaccines. Daiichi Sankyo introduces state-of-the-art equipment and improves its production technology and efficiency on a constant basis to maintain a system for stable supply to society. To prepare a pandemic influenza outbreak, we works to build a system to supply necessary vaccines to the public with our proprietary cell culture technology. This is part of our efforts to achieve a sustainable society.

Progress of major initiatives

Stable supply of vaccines

Seasonal influenza vaccines are used for vaccination before an epidemic period in winter. Thus, we need to ship the required amount of vaccines targeting the strains of a virus becoming prevalent on a timely manner. In order to prepare for a "twindemic" of influenza and COVID-19, Daiichi Sankyo works to improve production efficiency through an effort to reduce lead time by utilizing a flexible shift production structure in order to achieve faster shipping and more increased production before an influenza pandemic.

Production system for a possible pandemic

Daiichi Sankyo is working to maintain and manage a system whereby the Company can supply novel influenza vaccines reliably in the event of a pandemic. We have put into place a system capable of supplying vaccines for approximately 23 million people. In addition, we are working on action plans and training in the event of a pandemic.

Promote new vaccine development

Daiichi Sankyo is pursuing research and development of vaccines that will transform the standard of care (SOC) based on its strength in Science & Technology. The vaccines under development include a 3-valent combination vaccine containing three live attenuated viruses of measles, mumps, and rubella (MMR vaccine).

In response to COVID-19, Daiichi Sankyo is actively engaged in research and development of new vaccines by utilizing its new modalities and through collaboration between industries, governments, and academic institutions.*

For details of actions against COVID-19, refer to page 43

Cell and virus culture with large tanks

OTC Related Business: Daiichi Sankyo Healthcare Co., Ltd.

In Japan, although the average life expectancy has been one of the highest in the world, not only the length of life but also its quality matters in this day and age. Taking care of your health on a daily basis to prevent disease, or self-care, leads to increasing your healthy life expectancy. In addition, the concept of self-medication has gained acceptance. Self-medication is a practice of using over-the-counter (OTC) drugs to relieve symptoms of mild cold, fever, headache, menstrual pain, and other similar conditions. This trend is becoming more and more pronounced, and the needs are diversifying.

In addition to OTC drugs*1, Daiichi Sankyo Healthcare handles a wide range of products including skin care cosmetics and oral care products. Among the Daiichi Sankyo groups, Daiichi Sankyo Healthcare is a unit that is closer to customers more broadly. Through the contact and communication with customers, we will continue to create products and services with a high level of customer satisfaction and contribute to improving the quality of life (QOL) of people who wish to be healthier and more attractive.

* Over-the-counter drugs available in pharmacies, drug stores, etc.

Strength and challenge

By leveraging its R&D and marketing capabilities originated from a pharmaceutical company, Daiichi Sankyo Healthcare aims to become a "total healthcare" company beyond the boundaries of the traditional OTC business. To this end, we intend to develop new growth areas and sales channels and expand our business overseas, rather than to remain within the current scope of our business.

Progress of major initiatives

Sustainable growth of OTC business

Daiichi Sankyo Healthcare pursues sustainable growth of OTC-related business by strengthening its mainstay brands including the cold remedy *Lulu*, which has been familiar to many families for many years since its launch in 1951, and antipyretic analgesic *Loxonin*, an OTC drug using *loxoprofen* sodium hydrate developed by Daiichi Sankyo.

Accelerate growth of skin care and oral care business

Skin care and oral care are promising areas for future growth. Daiichi Sankyo Healthcare is working to accelerate the growth of its skin and oral care products. The skin care products include *MINON*, a series of body cleaning products developed based on dermatology for people with sensitive/dry skin, and *Transino*, which contains tranexamic acid developed by Daiichi Sankyo and is the only OTC drug approved for the indication of melasma, a type of discoloration. The oral care products include the medicinal toothpaste *Clean Dental* and the new brand *Breath Labo*.

Expand direct marketing business

The direct marketing business is an important sales channel for delivering our products to more customers. Through the marketing business company Im Co. Ltd., Daiichi Sankyo Healthcare operates its mainstay brand *RICE FORCE* and new aging care brand *BRIGHTAGE* developed by the company.

Overseas business development

With a focus on *MINON Amino Moist series*, Daiichi Sankyo Healthcare is also strengthening its overseas business operations in China, Hong Kong, and Taiwan. In China, Daiichi Sankyo Healthcare performs sales and marketing activities through Daiichi Sankyo China (DSCN), a member of the Daiichi Sankyo Group.

Overseas Overseas Businesses with “Global Products” and “Regional Value Products”

Daiichi Sankyo Group currently does overseas businesses through Daiichi Sankyo Inc. and American Regent, Inc., in the U.S., Daiichi Sankyo Europe in European countries and ASCA* company in Asia, South & Central America regions. We aspire to grow our overseas businesses not only through the delivery of “Global Products” such as *LIXIANA* and *ENHERTU*, but also through “Regional Value Products” matched to the specific needs of patients and healthcare providers in our various regions and countries

*Asia, South & Central America

Daiichi Sankyo, Inc.

Given that Daiichi Sankyo Group aspires to be a global enterprise, growth in the U.S. market, the world’s largest market for pharmaceuticals, is of critical importance. Daiichi Sankyo, Inc. has a history of success having grown *Benicar* (antihypertensive agent) into a blockbuster medicine in the U.S.

Strengths and challenges

The core business of Daiichi Sankyo Group has begun to shift from the primary care field to the specialty field, which centers on hospital/specialty healthcare providers. We have taken great strides toward achieving our goal of becoming a leader in oncology in the U.S. by attracting new, talented, creative and experienced colleagues to join us in our mission. The U.S. commercial teams, including sales, managed markets, marketing and more, have deep and broad cancer expertise and work collaboratively to bring value and patient-focused information to those providers who treat cancer.

Progress of major initiatives

Launch of *TURALIO*

TURALIO (*pexidartinib*) is the first and only approved therapy for adult patients with symptomatic tenosynovial giant cell tumor (TGCT) associated with severe morbidity or functional limitations and not amenable to improvement with surgery, and is now available by prescription in the U.S.

TGCT is typically a non-malignant tumor that can be locally aggressive. There were no approved systemic treatment options other than surgery before the approval of *TURALIO*.

TURALIO is prescribed through a Risk Evaluation and Mitigation Strategy (REMS) Program in order to mitigate the risk of serious liver injury seen with *TURALIO* in our clinical trials.

Launch of *ENHERTU*

ENHERTU (*fam-trastuzumab deruxtecan-nxki*), a HER2 directed antibody drug conjugate, became available by prescription in the U.S. in January 2020.

ENHERTU is a new treatment option for adult patients with unresectable or metastatic HER2 positive breast cancer who have received two more prior anti-HER2-based regimens in the metastatic setting.

In 2019, Daiichi Sankyo entered into a global development and commercialization agreement (excluding Japan) concerning *ENHERTU* with AstraZeneca. Together, Daiichi Sankyo and AstraZeneca are able to accelerate the growth of *ENHERTU* by leveraging the strengths of both companies.

American Regent, Inc.

American Regent, Inc. (ARI) is a leading injectable medication specialty pharmaceutical company. The company has a long history of supplying a variety of drugs including branded IV iron, high quality injectable generics, and veterinary medicines primarily to the US marketplace. The company employs over 1,000 people in New York, Ohio and Pennsylvania.

Strength and challenge

ARI's product portfolio is comprised of an iron injection franchise with two leading products, *Venofer* and *Injectafer*, for the treatment of iron deficiency anemia, a generic injectable franchise with a portfolio of difficult-to-manufacture, sole-sourced, and competitively differentiated products.

Taking advantage of our capabilities to develop difficult-to-manufacture and complex products, we continue to expand our portfolio of competitive products. Our broad portfolio of more than 30 marketed products is constantly evolving to meet our customers' needs and stay ahead of the dynamic generic marketplace.

Progress of major initiatives

Iron injection franchise

The iron injection franchise focuses on two products; *Venofer*, which is used to treat iron deficiency anemia (IDA) resulting from chronic kidney disease, and *Injectafer*, which is indicated to treat IDA resulting from chronic kidney disease, as well as from various other causes, but cannot be used in patients undergoing dialysis.

Due to its ability to treat a wide range of conditions and the convenience of being able to completely dose patients in only two administrations, *Injectafer* has enjoyed a rapid growth in market share since it was launched.

To achieve further growth, *Injectafer* has increased its share of voice to meet GI and OB/GYN customer needs and continued awareness among dissatisfied oral iron patients.

These two products boast a combined share of the U.S. iron injection market of more than 70%, making ARI the undisputed leader in this market. With regards to life cycle management and expanded indications, *Injectafer* is currently enrolling a HEART-FID clinical study. This study will assess the efficacy and safety of iron therapy using *Injectafer* relative to placebo in treating patients with heart failure, iron deficiency, and a reduced ejection fraction.

Generic injectable franchise

ARI manufactures, markets, and supplies generic injectable products in vial and ampule presentations. The company has been launching new products continuously and successfully to achieve sustainable growth. ARI is focused on product development and successful submission of multiple supplemental and new drug applications in FY2020 and beyond.

ARI is also in the process of executing a significant capital investment in plant manufacturing capacity to become one of the top suppliers in the U.S. generic injectable market.

New Albany factory in the U.S

Daiichi Sankyo Europe

Daiichi Sankyo Europe (DSE) currently has affiliates in 13 European countries. Through licensing and sales agreements, our products are available in almost every European country. Our European headquarters is in Munich, Germany, and close by, in Pfaffenhofen, is one of our global production plants.

Strengths and challenges

Europe is an important market for the Daiichi Sankyo Group, following Japan and the United States.

The current mainstay of DSE is the anticoagulant *Lixiana*. Focusing on maximizing the product potential of *Lixiana* by growing market share, we will expand our business by adding further cardiovascular products to our portfolio as well as oncology products such as *ENHERTU*.

Progress of major initiatives

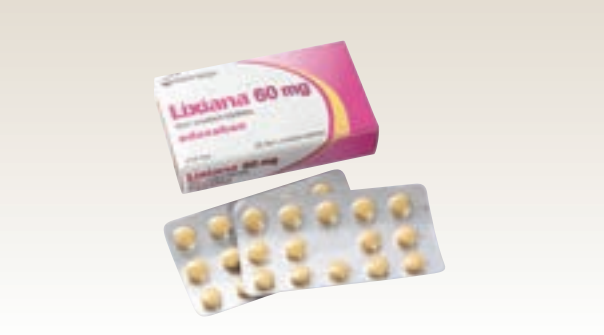
Growth of *Lixiana*

Since we launched *Lixiana* in 2015, most countries in Europe have introduced it in their local markets.

DSE is marketing *Lixiana* in more than 10 European countries. In countries where DSE does not have its own affiliates, e.g. Northern or Eastern European countries, *Lixiana* is commercialized via partners such as Servier or MSD.

The market share has been growing to almost 16% in the European countries where DSE has its own affiliates (excl. France and Turkey). The sales revenue in Germany is the second highest after Japan

To achieve further growth we have defined a single-minded proposition for *Lixiana*: “Your choice for the elderly NVAF patient” which is rolled-out across all European markets.



Approvals for NILEMDO and NUSTENDI

NILEMDO (*Bempedoic acid*) and *NUSTENDI* (Fixed dose combination tablet of *bempedoic* acid and ezetimibe) in-licensed from Esperion, have been approved by the European Commission in March and April 2020 respectively for cholesterol-lowering treatment. The new products are an ideal fit to the capabilities we have developed over the last years. They can build on and use synergies with *LIXIANA* and thus enhance our value as a business in Europe.

Preparing for oncology

Besides getting ready for new products in the cardiovascular space, Daiichi Sankyo in Europe is also diligently preparing for the future oncology business.

We have hired talented professionals for medical, market access, marketing, field force and other functions. The European commercial organization is set up well to successfully launch our oncology products.

ASCA Company

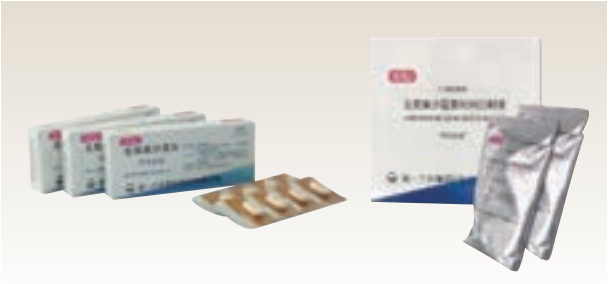
The ASCA*1 Company is responsible for operations in Asia, South & Central America, and other regions. In addition to performing sales and promotional activities through its 7 subsidiaries (in China, Korea, Taiwan, Thailand, Hong Kong, Brazil, and Vietnam*2), the ASCA Company also exports its bulks and products to licensees. The ASCA Company owns its formulating plants in China and Brazil and performs production operations there. The ASCA Company employs approximately 2,100 people at its business bases. The company has rolled out its business optimized to market and customer needs in each country and region (regional value), contributing to healthcare in each place.

*1 Asia, South & Central America
*2 Currently representative office

Strength and challenge

China is an important market for the ASCA Company because revenue from its China business accounts for the largest share of its total revenue. With its mainstay products, including the antihypertensive agent *olmesartan*, synthetic antibacterial agent *Cravit*, and hypercholesterolemia treatment *Mevalotin*, the ASCA Company operates in the market. While the China market is large, regulations are complex, and the ASCA Company is focusing on building and expanding its sales structure to maximize its potential.

The anticoagulant *LIXIANA*, one of the Group's global products, is also an important product for the ASCA Company. Since its launch in Korea in 2015, *LIXIANA* has been marketed in Taiwan, Hong Kong, Thailand, Brazil, and China via the ASCA Company's own sales organization. The ASCA Company takes full advantage of the customer base it has built for *Mevalotin* and *olmesartan*, which are also cardiovascular products, to further expand the market share of *LIXIANA* in each country. In countries where the ASCA Company does not have subsidiaries, such as Indonesia and the Middle East countries, the company will work to maximize product value by selling products through its partners.



Progress of major initiatives

Strengthen the operating structure in China

In the past, the ASCA Company has sought to expand sales through active sales alliance with local companies. Currently, the company is working to expand its own marketing territories while improving profitability, taking into account regulatory changes such as health insurance and bidding system reforms, as well as changes in the market environment.

Expand *LIXIANA*

The market share of *LIXIANA* is steadily increasing as a result of product strategies tailored to the market environment and other conditions in each country. In Korea, *LIXIANA* has maintained the largest DOAC* monthly share. In Taiwan, various marketing promotion activities have resulted in increased market share. In China, the ASCA Company is working to have *LIXIANA* listed on the National Reimbursement Drug List (NRDL) and making other efforts for sales growth in the future.

* Direct oral anti coagulant

Build an operating structure to launch oncology products

In the ASCA regions, the ASCA Company also works on building an operating structure and preparing for market launch, among other activities, in order to deliver *ENHERTU* and other oncology products to patients as soon as possible.

A new operating structure is being built with focus on designing functions and organizations as well as promoting talent acquisition required for oncology business.

Shanghai factory in China

Research & Development (R&D)

The mission and role of Research and Development (R&D) is to continue to contribute to establishing global standard of treatment and prevention methods to improve human health. This can be achieved by creating high-value-added novel therapies continuously by leveraging our accumulated knowledge and experience of high-quality and innovative drug discovery and development.

Our inquiring mind and desire to contribute humanity drive our R&D. We are supported by our passionate desire to create new medicines that contribute to the health and enriched lives of people around the world and deliver them to patients as soon as possible. We will continue to take on the challenge of creating innovative medicines.

Strength and challenge

Strength **Cutting-edge science & technology cultivated over years of operation as a drug discovery-oriented company**

Challenge **On-track delivery of large-scale clinical trials in oncology, as well as research, development, and regulatory submissions for regenerative medicines. Further evolution of research and development using new technologies such as ICT, AI, and RWD***

* RWD (Real World Data): Data collected in the daily clinical environment (Real World), not in the experimental environment (Ideal World) like clinical trials.

Revised R&D strategy

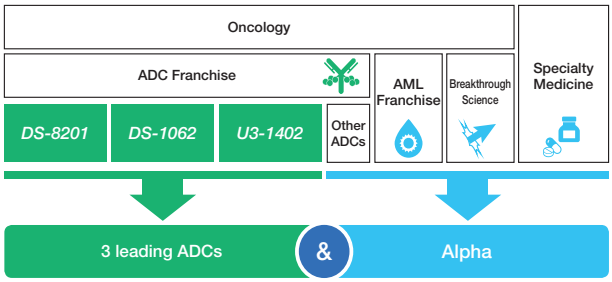
For R&D 2025 Vision, three pillars were established in the oncology field: Antibody Drug Conjugate (ADC) Franchise, Acute Myeloid Leukemia (AML) Franchise, and Breakthrough Science. Of the three, ADC Franchise, in particular, saw steady progress in clinical development of three ADCs, starting with *DS-8201*, and the potential of each ADC has increased to the point where it can be called a major pillar. Since these ADCs products use the same platform technology, with a view to going forward to "post-ADC," new drug discovery platform technologies that will drive Daiichi Sankyo's sustainable growth and creation of novel products that will transform the standard of care have become important themes to tackle.

Thus, we decided to adopt our new R&D strategy as "3 and Alpha."

The number "3" refers to the three ADCs, for which we will continue to focus on our spending in R&D expenses and human resources to maximize their product values. The word "Alpha" signifies the driving force that gives birth to leading edge science bringing true innovation that can transform the SOC*. With Alpha, we intend to contribute to supporting Daiichi Sankyo's sustainable growth, with the goal of new innovation ahead of the world not only in the oncology field, but also in rare diseases, CNS diseases, and other disease areas with high unmet medical needs.

Going forward, we will pursue for more agile and flexible resource allocation and to facilitate collaboration between organizations. We hope that this revised strategy will lead to an improvement in efficiency under resource constraints, as well as to a cascade of further innovation.

* SOC (Standard of Care): Universally applied best treatment practice in today's medical science



3 leading ADCs

***DS-8201*: Maximizing value through alliance with AstraZeneca**

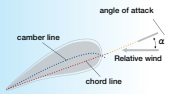
***DS-1062*: Maximizing value through alliance with AstraZeneca**

***U3-1402*: Potential for early market entry**

Science-based precision medicine:
Three ADCs and vectors/receptors based on the unique biology of DXd technology

Alpha

Alpha= "Angle of attack" on airplane wings



Alpha= A benchmark for investment efficiency in the financial economy

Alpha= Driving force that gives birth to leading edge science bringing true innovation that can transform the standard of care (SOC)

Daiichi-Sankyo

Progress of major initiatives

3 ADCs

Characteristics of Daiichi Sankyo's ADC

In order to examine the benefits and issues of the preceding antibody drug conjugates (ADCs) and solve these issues, our researchers screened and optimized combinations of antibodies, linkers, and payloads to ultimately produce the Daiichi Sankyo's ADC technology. Daiichi Sankyo's ADC has been established as a platform technology where the payload-linker can be combined with a variety of antibodies, and we are currently developing seven DXd-ADCs loaded with a payload, a new derivative of the DNA topoisomerase I inhibitor *DX-8951* (DXd). The main characteristics of this technology are summarized in the figure below.

Characteristics 1	New payload	Characteristics of Payload
Characteristics 2	High potency of payload	
Characteristics 3	Bystander antitumor effect	
Characteristics 4	Payload with a short half-life in the blood	
Characteristics 5	Stable linker	Characteristics of Linker
Characteristics 6	Selectively cleaved linker in cancer cells	
Characteristics 7	High drug-antibody ratio	

Characteristics 1 New payload

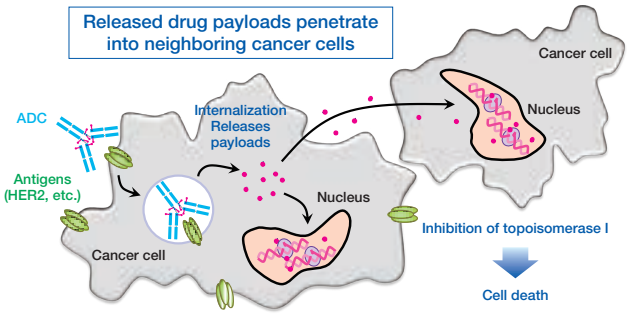
The payload of Daiichi Sankyo's ADCs is DXd, a novel derivative of the DNA topoisomerase I inhibitor *DX-8951*, which was created by former Daiichi Pharmaceutical.

Characteristics 2 High potency of payload

DXd is approximately 10 times as potent as *SN-38* (the active metabolite of irinotecan featuring the same mechanism of action). Providing further rationale was the pre-clinical pharmacology finding that demonstrated that DXd is effective in cancer cells that are less sensitive or resistant to the payload of *T-DM1*, the standard of care for certain type of HER2-positive breast cancer. Effectiveness has been confirmed clinically, as well.

Characteristics 3 Bystander antitumor effect

The "bystander antitumor effect" means a process where after the ADC binds to an antigen expression-positive cancer cell (HER2-positive, for example) and being taken up into the cell, the payload is released from the ADC in the cancer cell, transfer to extracellular by penetrating the membrane, and exerts cytotoxic effects on neighboring antigen expression-negative cancer cells (HER2-negative, for example). The DXd payload is designed to have higher lipophilicity and membrane permeability. In general, antigen expression-positive and -negative cancer cells are present concomitantly in the tumor microenvironment. Through this bystander antitumor effect, it is hypothesized that the drug also has impacts on tumors with a high proportion of cancer cells that are antigen expression-negative.



Characteristics 4 Payload with a short half-life in the blood

Immediately after intravenous administration, an increased blood concentration of drug payloads released all at once from an ADC has the potential to cause side effects. Daiichi Sankyo's drug payload is less likely to be released while in the blood because of its stable linker, and the drug payload is designed to be eliminated quickly from the blood (easily metabolized and has a short half-life) following release.

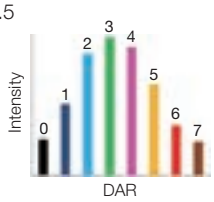
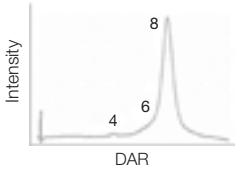
Characteristics 5 Stable linker

For ADC technology to exhibit cancer cell-specific efficacy, the payloads must be reliably delivered to cancer cells, and here the linker plays an important role. If the linker is unstable, the ADC may degrade after administration and the payloads will be released in the blood. This can reduce efficacy before the payloads are carried to the cancer cells, and can potentially cause side effects if the payloads affect normal cells. Pharmacokinetic analysis of the phase 1 study has confirmed the stability in human blood of Daiichi Sankyo's ADC construct.

Characteristics 6 Selectively cleaved linker in cancer cells

The ADC must be stable in the blood and yet readily release its payload once internalized into the cancer cell following binding to the cancer-cell antigen. The linker of Daiichi Sankyo's ADC is cleaved by enzymes including cathepsins, which are highly expressed in cancer cells, causing payload release. Therefore, the possibility of the linker being cleaved in parts other than cancer cells is minimized. In addition, the cleavage site is situated at an appropriate location for efficiently releasing the payload inside cancer cells.

Distribution of binding payload

	*T-DM1**	*DS-8201*
Antibody	*Trastuzumab*	Anti-HER2 Ab
Payload	Tubulin inhibitor (*DM1*)	Topoisomerase I inhibitor
DAR	3.5 	7–8 

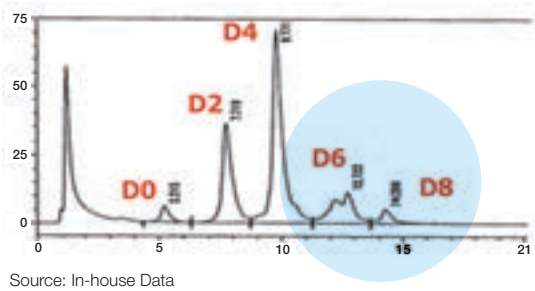
* *Kadcyla BLA*

Source: Ogitani-Y et al., Clin. Cancer Res. 2016; 22:5097-5108, Marcoux-J et al., Protein Science 2015; 24:1210-1223

Characteristics 7 High drug-antibody ratio

The drug-antibody ratios (the number of payloads held on a single antibody) for currently approved ADCs range unevenly between two and seven, whereas Daiichi Sankyo's ADC can load a maximum of eight payloads with high uniformity. Historically, ADCs bearing more payloads per antibody cause aggregation after being formulated. But Daiichi Sankyo's ADC construct and its formulation minimizes aggregation, even with the high DAR. Furthermore, we possess technology to control the drug-antibody ratios optimally according to antigen expression and internalization rates. For example, *DS-8201* and *U3-1402* have a DAR of eight and *DS-1062* has a DAR of four.

DS-1062: Distribution of the number of payload



Source: In-house Data

Below is an overview of our pipeline. For detailed data (safety, efficacy, etc.) presented at scientific conferences, please see "IR Library" for investors on our website.

Read more here **IR Library for investors**
https://www.daiichisankyo.com/investors/library/

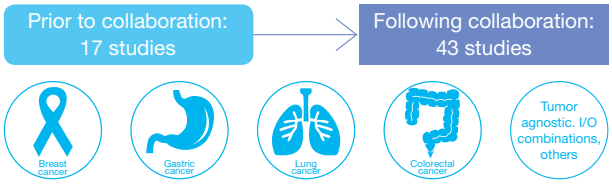
Trastuzumab deruxtecan / DS-8201 (anti-HER2-ADC)

DS-8201 is an anti-HER2 antibody drug conjugate (ADC) comprising Daiichi Sankyo's proprietary linker and payload (DXd) covalently combined with an anti-HER2 antibody.

Strategic Collaboration with AstraZeneca

In order to maximize the value of *DS-8201*, we entered into a global joint development and commercialization agreement in March 2019 with AstraZeneca, a company with a wealth of experience and resources in oncology. Under the agreement, the two companies are jointly developing monotherapy/combination therapy for HER2-expressing cancers, and the development costs will be shared between the two companies. As for commercialization, the two companies will undertake co-promotion in regions other than Japan and share profits and losses. In Japan, Daiichi Sankyo will be the sole marketer and will pay royalties to AstraZeneca.

Our collaboration with AstraZeneca is progressing well. Before the agreement was signed, we were planning 17 clinical studies, but the number has increased to 43 after the agreement. These studies will start in sequence from fiscal 2020.



Research & Development (R&D)

▶ **The list of *DS-8201* studies (as of August 2020)**

	Cancer type	Phase	Study name	Description	Status
1		Phase 1	N/A	First-in-human study HER2-positive breast cancer, HER2-low breast cancer, HER2-positive gastric cancer, and other cancers	Has results
2	Breast cancer	Phase 2	DESTINY-Breast01	HER2-positive breast cancer post *T-DM1*	Has results
3		Phase 3	DESTINY-Breast02	HER2-positive breast cancer 3L, vs. phys choice of SOC	Data expected in FY2021 H2
4		Phase 3	DESTINY-Breast03	HER2-positive breast cancer 2L, vs. *T-DM1*	Data anticipated in FY2021 H1
5		Phase 3	DESTINY-Breast04	HER2-low breast cancer, 2L/3L vs. phys choice of SOC	Data anticipated in FY2021 H2
6		Phase 3	DESTINY-Breast05	HER2-positive breast cancer, post-neoadjuvant	In preparation
7		Phase 3	DESTINY-Breast06	HER2-low hormone therapy refractory breast cancer, vs. phys choice of SOC	In progress
8		Phase 1b/2	BEGONIA	TNBC, combination with *durvalumab*	In progress
9	Gastric cancer	Phase 2	DESTINY-Gastric01	HER2-positive gastric cancer 3L~ vs. phys choice of SOC (HER2-low gastric cancer in exploratory cohort)	Has results
10		Phase 2	DESTINY-Gastric02	HER2-positive gastric cancer 2L	In progress
11		Phase 1b/2	DESTINY-Gastric03	HER2-positive gastric cancer, 2L~/1L	In progress
12	Lung cancer	Phase 2	DESTINY-Lung01	HER2m NSCLC, HER2-positive NSCLC	Data anticipated in FY2021 H1
13		Phase 2	HUDSON	NSCLC, combination with *durvalumab*	In progress
14	Colorectal cancer	Phase 2	DESTINY-CRC01	HER2-positive colorectal cancer 3L (HER2-low colorectal cancer in exploratory cohort)	Has results
15	Other	Phase 1	N/A	Breast cancer, bladder cancer, combination with *nivolumab*	In progress
16		Phase 1	N/A	NSCLC, breast cancer, combination with *pembrolizumab*	In progress
17		Phase 2	DESTINY-PanTumor02	HER2-expressing cancer (bladder, biliary tract, cervical, endometrial, ovarian, pancreatic, and other rare cancers)	In preparation

1 First-in-human Phase 1 Study

Phase 1 study, started in September 2015, has been conducted mainly on patients with breast, gastric, lung, or colorectal cancer. Interim results of the study were presented at the past conferences of the American Society of Clinical Oncology (ASCO), the European Society for Medical Oncology (ESMO), the San Antonio Breast Cancer Symposium (SABCS), the World Conference on Lung Cancer (WCLC), and other academic conferences.

In fiscal 2019, data was published in prominent scientific journals; the primary analysis results of the study were published in *the Lancet Oncology* for HER2-positive breast cancer and gastric cancer, *the Journal of Clinical Oncology* for HER2-low breast cancer, and *CANCER DISCOVERY* for other HER2-expressing or -mutated cancers.

Breast cancer

2 DESTINY-Breast01 study

The primary analysis results of this study were presented orally at the SABCS in December 2019. The results were also published in *the New England Journal of Medicine*. Based on the results, we submitted BLA in the U.S. in August 2019, obtained approval in December 2019 and launched in January 2020. In Japan, we submitted NDA in September 2019, obtained approval in March 2020 and launched in May 2020. In Europe, approval application was accepted in June 2020 and is being review under accelerated assessment.

6 DESTINY-Breast05 study

This is a head-to-head comparative study of *DS-8201* versus *T-DM1* in patients with residual invasive HER2-positive breast cancer following preoperative chemotherapy who are at high risk for recurrence. Preparations are underway to initiate the study in the second half of fiscal 2020.

Gastric cancer

9 DESTINY-Gastric01 study

The primary analysis results of this study were presented at the ASCO in May 2020. The result was also published in *the New England Journal of Medicine*. In Japan, sNDA was filed in April 2020. Since the SAKIGAKE designation has been granted to this indication, the review duration is expected to be 6 months or less. In May 2020, the drug received the Breakthrough Therapy and Orphan Drug Designations from the U.S. Food and Drug Administration (FDA), despite the study having been conducted only in Japan and South Korea. Going forward, we plan to proceed with discussions with the FDA so that we can submit sBLA in the U.S. as soon as possible.

Lung cancer

12 DESTINY-Lung01 study

Interim data from the HER2-mutated cohort were presented at the ASCO in May 2020. In May 2020, *DS-8201* received the Breakthrough Therapy Designation from the U.S. FDA based on the interim data.

Colorectal cancer

14 DESTINY-CRC01 study

The primary analysis results from the HER2-positive cohort were presented at the ASCO in May 2020.

DS-1062 (Anti-TROP2-ADC)

DS-1062 is an anti-TROP2 ADC comprising our proprietary linker and payload conjugated to the anti-TROP2 antibody.

Strategic Collaboration with AstraZeneca

In order to maximize the value of *DS-1062* through accelerated development, and to allocate resources to the subsequent DXd-ADC and Alpha projects, in July 2020 Daiichi Sankyo entered into a global joint development and commercialization agreement for *DS-1062* with AstraZeneca, a company with a wealth of experience in lung cancer. The form of the agreement is almost the same as that for *DS-8201*.

▶ **The list of *DS-1062* studies (as of August 2020)**

	Cancer type	Phase	Study name	Description	Status
1		Phase 1/2	N/A	First-in-human study NSCLC, TNBC	In progress
2	Lung cancer	Phase 2	N/A	NSCLC (with mutation)	In preparation
3		Phase 1	N/A	NSCLC, combination with *pembrolizumab*	In preparation

Research & Development (R&D)

1 First-in-human phase 1 study
(NSCLC, TNBC)

The phase 1 study, begun in February 2018 included patients with non-small cell lung cancer (NSCLC). Last year, interim data on NSCLC were presented at the WCLC in September 2019 and at the ASCO in May 2020. In June 2020, a triple-negative breast cancer (TNBC) cohort was added to this study.

3 Phase 1 study
(NSCLC, combination with *pembrolizumab*)

In May 2020, Daiichi Sankyo entered into an agreement with Merck for clinical study to evaluate the combination of *DS-1062* and *pembrolizumab*. Preparations are underway to initiate the study in the second half of fiscal 2020. In addition, we are planning to test *DS-1062* in combination with other immune checkpoint inhibitors (I/O agents). We are considering developing *DS-1062* in combination with I/O agents for the 1st-line treatment of NSCLC.

Patritumab deruxtecan / *U3-1402* (Anti HER3-ADC)

U3-1402 is an anti-HER3 ADC comprising our proprietary linker and payload conjugated to the anti-HER3 antibody patritumab.

▶ **The list of *U3-1402* studies (as of August 2020)**

	Cancer type	Phase	Study name	Description	Status
1	Breast cancer	Phase 1/2	N/A	First-in-human study HER3-positive breast cancer	In progress
2	Lung cancer	Phase 1	N/A	NSCLC	In progress
3		Phase 1	N/A	EGFR-mutated NSCLC, combination with *osimertinib*	In preparation
4	CRC	Phase 2	N/A	Colorectal cancer	In preparation

1 First-in-human phase 1 study
(HER3-positive breast cancer)

This study has been underway since December 2016 and shown that HER3 expression detected in some patients prior to the first dose of *U3-1402* decreases following the initiation of treatment. In HER3-positive breast cancer, patient selection is key to determining the efficacy and safety of *U3-1402*. Therefore, we will focus on the development of biomarkers and review our future development plans.

2 Phase 1 study
(NSCLC)

At the WCLC in September 2019, interim data on the efficacy and safety of *U3-1402* were presented for the dose-escalation part.

3 Phase 1 study
(EGFR-mutated NSCLC, combination with *osimertinib*)

In August 2020, Daiichi Sankyo entered into an agreement with AstraZeneca for clinical study to evaluate the combination of *U3-1402* and *osimertinib*. With the aim of developing *U3-1402* as a 2nd-line treatment of EGFR-mutated NSCLC, preparations are underway to initiate the phase 1 study in the second half of fiscal 2020.

Alpha

Oncology

Quizartinib (FLT3 inhibitor)

Quizartinib is an FLT3 inhibitor with a potent inhibitory activity against mutated gene called FLT3-ITD, which is present in around 30% of acute myeloid leukemia (AML) patients.

In Japan, the Ministry of Health, Labour and Welfare approved *quizartinib* for the indication of relapsed/refractory FLT3-ITD AML in June 2019. The drug was launched in October 2019 under the brand name of *Vanflyta*.

In the U.S., we received a Complete Response Letter in June 2019. In Europe, we received a negative view on approval from the European Medicines Agency's (EMA) Committee for Medicinal Products for Human Use (CHMP) in October 2019.

Phase 3 study of 1st-line treatment (QuANTUM-First study) is currently underway globally.

Pexidartinib (CSF-1R/KIT/FLT3 inhibitor)

Pexidartinib is a receptor tyrosine kinase inhibitor showing specific inhibitory activity against CSF-1R/KIT/ and FLT3.

Pexidartinib was approved by the FDA for the indication of tenosynovial giant cell tumor (TGCT) in August 2019, and was launched under the brand name of *Turalio*. In Europe, we received a negative view on approval from the EMA's CHMP in June 2020.

We are also discussing a development in the Asian region, including Japan.

Axicabtagene ciloleucel (anti-CD19 CAR-T cell)

Axicabtagene ciloleucel is a cell therapy (chimeric antigen receptor T cell: CAR-T cell) product licensed-in from Kite Pharma, Inc., a subsidiary of Gilead Sciences, Inc. in the U.S. The product targets the CD19 antigen expressed on the surface of B-cell lymphoma.

Daiichi Sankyo submitted NDA in Japan in March 2020 based on the results from a global phase 1/2 clinical study (ZUMA-1 study) conducted by Kite Pharma and a phase 2 study in Japan conducted by Daiichi Sankyo. The agent has been designated as an Orphan Regenerative Medicine Product by the Ministry of Health, Labour and Welfare.

DS-1647/G47Δ (oncolytic HSV-1)

DS-1647(G47Δ) is a cutting-edge (third-generation) oncolytic virus created by Professor Tomoki Todo of the Institute of Medical Science of the University of Tokyo, by using genetic modification technologies to modify herpes simplex virus type 1 so that it only multiplies inside cancer cells.

We plan to submit NDA in Japan based on the results from the investigator-initiated clinical study undertaken by Professor Todo. The SAKIGAKE designation has been granted to *DS-1647* by the Ministry of Health, Labour and Welfare.

Valemetostat/DS-3201/EZH1/2 inhibitor

DS-3201 is an inhibitor of the histone methyltransferases *EZH1* and *EZH2*. Some cancer cells show *EZH1/2*-dependent proliferation.

The following studies are currently underway: phase 2 study in patients with adult T-cell leukemia-lymphoma in Japan; global phase 1 study in patients with non-Hodgkin's lymphoma, including relapsed/refractory peripheral T-cell lymphoma (PTCL); and phase 1 study in patients with acute myeloid leukemia/lymphoma in the U.S.

In April 2019, the SAKIGAKE designation was granted to *DS-3201* by the Ministry of Health, Labour and Welfare for the treatment of PTCL.

Research & Development (R&D)

DXd-ADC

Of the seven DXd-ADCs are currently under development at the Company, four are being developed as part of "Alpha". For *DS-7300* and DS-6157, phase 1 studies are underway. *DS-6000* (target not disclosed) and *DS-3939* (anti-TA-MUC1-ADC) are in preclinical phase.

DS-7300 (anti-B7-H3-ADC)

DS-7300 is an anti-B7-H3-ADC using DXd-ADC platform. B7-H3 is a type I transmembrane protein belonging to the B7 family.

Since October 2019, phase 1/2 study have been performed in patients with solid tumors (head and neck, esophageal, non-small cell lung, and other cancers) in Japan and the U.S.

DS-6157 (anti-GPR20-ADC)

DS-6157 is an anti-GPR20-ADC using DXd-ADC platform. GPR20 is an orphan G protein-coupled receptor (GPCR) that is expressed specifically in gastrointestinal stromal tumors (GISTs).

Since May 2020, phase 1 study have been performed in patients with GIST in Japan and the U.S.

Specialty Medicine

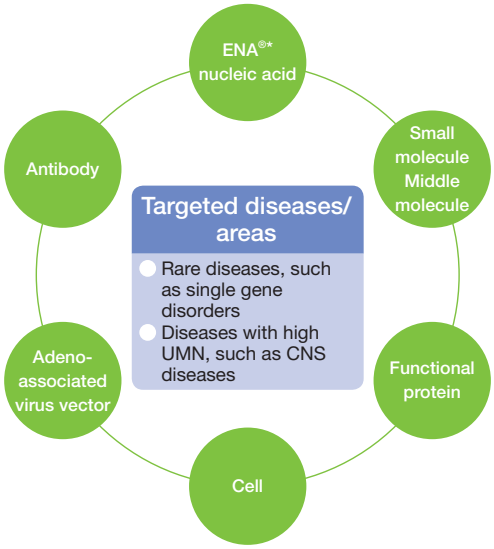
In the Specialty Medicine area, Daiichi Sankyo has set forth a medium-to-long-term vision of delivering innovative pharmaceuticals to patients suffering from diseases for which no effective treatment is available or for which existing treatments are insufficient. Daiichi Sankyo's immediate goal is to become a world-class innovator with competitive advantage in rare diseases by taking advantage of our strengths in science and technology and pursuing innovation. Our ultimate goal is to become a world-class innovator in the Specialty Medicine.

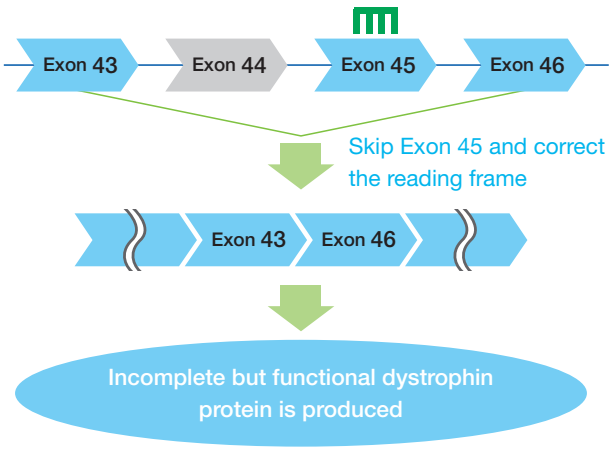
We will make the maximum use of a wide range of our modalities to develop drugs for rare diseases, such as single gene disorders, or other diseases with high unmet medical needs (UMN), such as diseases of the central nervous system (CNS).

DS-5141 (nucleic acid drug)

DS-5141 is a nucleic acid drug using our proprietary nucleic acid modification (ENA®). ENA® is an ethylene-bridged nucleic acid in which ethylene is bridged at the furanose sugar ring at 2'-O and 4'-C ends. ENA® demonstrates high binding force with DNA and RNA as well as superior thermal and nuclease resistance.

Duchenne muscular dystrophy (DMD) is an X-linked recessive muscular disorder that is caused by a dystrophin gene abnormality that results in the production of no dystrophin protein. *DS-5141* is expected to improve the symptoms of DMD by skipping exon 45 and producing an incomplete but functional dystrophin protein in the splicing process where messenger RNA is produced from the dystrophin gene in patient's myocytes.





* 2'-O,4'-C-Ethylene-bridged Nucleic Acids. A modified nucleic acid made using proprietary technology owned by Daiichi Sankyo. ENA® is a registered trademark of Daiichi Sankyo.

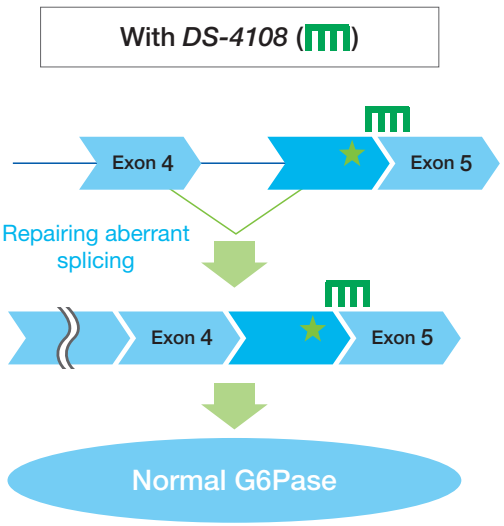
In a phase 1/2 study that has been performed in Japan since October 2015, results of a 12-week treatment with *DS-5141* have shown that Exon 45 skipping during splicing was confirmed in all 7 patients, and the dystrophin protein was observed in one patient. Following the results, a subsequent 48-week study has been in progress, the results of which will become available at the end of 2020.

DMD projects using ENA® nucleic acid modification include those for *DS-5144* (exon 44 skipping), *DS-5150* (exon 50 skipping), *DS-5151* (exon 51 skipping), and *DS-5153* (exon 53 skipping) and these projects are in pre-clinical phase.

DS-4108

DS-4108, a nucleic acid drug, which uses ENA® technology similar to that for *DS-5141* to control splicing, has been created from a joint research with Kobe Gakuin University, the National Center for Child Health and Development, and Hiroshima University. *DS-4108* is being developed as a treatment for glycogen storage disease type Ia (GSDIa) caused by specific gene mutation. GSDIa is a rare disease with the incidence of 1 in 100,000 that causes fasting hypoglycemia, hepatomegaly, and other conditions due to a congenital deficiency of sugar-producing enzyme (glucose-6-phosphatase, G6Pase). No drug therapy has been approved for GSDIa and the disease is managed with strict diet therapy.

ENA® has thus expanded beyond the DMD projects and is expected to become a new platform technology following the DXd-ADC platform technology.



Correct the aberrant splicing by ENA® oligonucleotide and induce production of normal G6Pase

DS-1211

The TNAP inhibitor *DS-1211* has been developed as a treatment for pseudoxanthoma elasticum. In this disease calcification of blood vessels and connective tissues occur gradually and causes skin lesions, decreased visual acuity, and cardiovascular complications, among others, due to genetic mutations in ABCC6. For pseudoxanthoma elasticum, no drug therapy has been approved, and the estimated number of patients is 18,000 in Japan, the U.S., and five European countries. Currently, phase 1 study have been completed, and phase 2 study are in preparation.

DS-6016

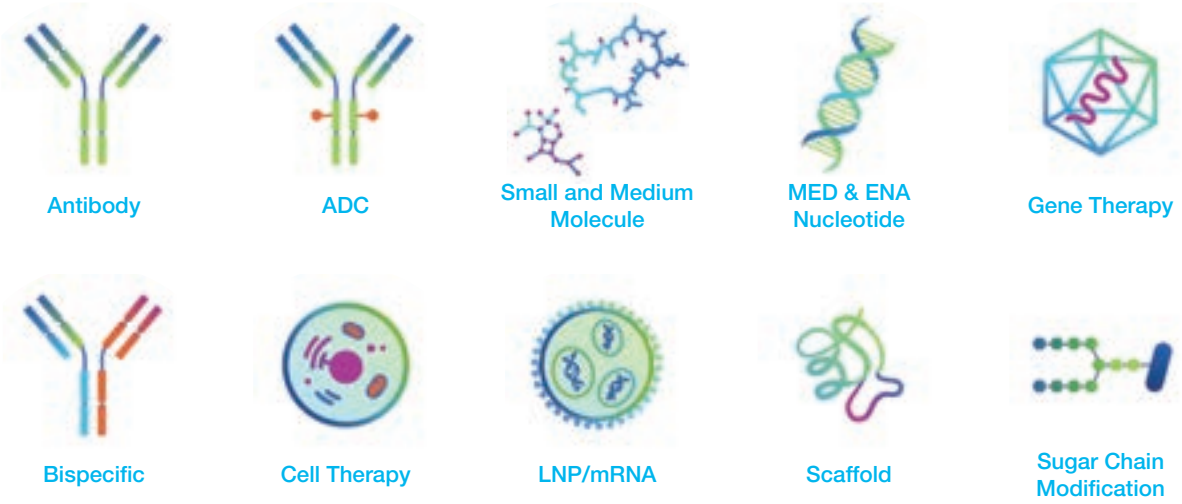
The anti-ALK2 antibody *DS-6016* has been under a collaborative research effort with Saitama Medical University, which was selected for AMED's CiCLE program in August 2017. *DS-6016* targets fibrodysplasia ossificans progressiva (FOP), a disease characterized primarily by heterotopic ossification in which bone is formed in tissues that are not normally formed due to genetic mutations in ALK2, a key receptor in the transmission of osteogenic signals. It has been reported that area of heterotopic ossification expands with age, and total assistance becomes necessary for almost all patients who are aged 40 years and older. Currently, no approved drug therapy is available. FOP is very rare, and the number of patients is estimated to be little less than 80 in Japan and little less than 300 in the U.S. Preparations are underway to initiate a phase 1 study.

Research & Development (R&D)

Research

Create new modalities

Daiichi Sankyo has been advancing drug discovery research by use of a wide variety of modalities, including next generation ADCs, bispecific antibodies, nucleic acid drugs, cell therapy (including iPS cells), gene therapy, and LNP-mRNA, in addition to small molecules, *DS-8201*, and other DXd-ADCs. We have been promoting multi-modality strategy to create the optimal modality for the disease by an appropriate modality for the drug target and the disease, and by simultaneously developing a new modality.



Efforts in gene therapies

Daiichi Sankyo focuses on gene therapy using the adeno-associated virus (AAV) vector, which is considered to be the most feasible vector among gene therapies. We will initiate gene therapy research for monogenic rare diseases first and plan to start clinical studies for several projects in fiscal 2024 and beyond. In parallel, mass production technology we will be established in order to apply the gene therapy to serious common diseases for which existing treatments are insufficient.

Since we considered building in-house manufacturing capability as a major hurdle for the development of gene therapy drugs, we decided to introduce manufacturing technology from Ultragenyx Pharmaceutical Inc. Ultragenyx Pharmaceutical Inc. has developed its own AAV production system using HeLa and HEK293 cells, and has already achieved actual performances of clinical studies, ensured stable quality of products, and attained know-how on mass production and analytical techniques for quality control. Through the introduction of this technology, we will soon establish in-house manufacturing capability for gene therapy programs, and begin manufacturing investigational drugs by the mid-2020s. Daiichi Sankyo has several gene therapy drug candidates undergoing nonclinical studies. One of the focused project is for retinitis pigmentosa, for which we have undertaken a collaborative research with Nagoya Institute of Technology. Retinitis pigmentosa is a genetic disorder characterized by the loss of photoreceptors, which exist in the retinal cells of healthy people and causes severe deterioration of visual acuity as the disease progresses. In this collaborative research program, we have identified the highly active, novel photo-responsive protein. Improvement of visual acuity is expected if the protein could be expressed in retina through gene therapy. In addition to establishing manufacturing technology for gene therapy drugs, we will accelerate the research and aim to realize early practical use of innovative pharmaceuticals for patients.

Pharmaceutical Technology

The Pharmaceutical Technology works to establish technologies for the commercialization and production of new medicines created through research and development.

Through research and regulatory application activities related to drug substances, drug products, and quality evaluation, we develop commercial production processes to achieve high-quality and stable production, in addition to processes to manufacture and supply investigational drugs, whereby transferring manufacturing and analysis technologies to supply chain functions. After the launch of products, we continue to work on establishing and improving manufacturing processes in alignment with the life cycles of products, including improving usability and taking measures against counterfeit drugs, in order to increase the added value of our medicines.

Strength and challenge

Strength Capabilities to establish robust commercial production processes and quality evaluation methods for drug substances and drug products, to implement application processes steadily, and to develop products that meet the unmet needs of patients and healthcare professionals

Challenge Continued efforts to establish research and development capability for production processes adapted to a wide range of modalities following ADCs

Progress of major initiatives

Increasing production of *DS-8201* following the collaboration with AstraZeneca

With a significant increase in demand for *DS-8201* following the strategic collaboration with AstraZeneca at the end of March 2019, as well as the steady progress in the clinical studies of subsequent DXd-ADCs, we are facing an urgent need to expand our production capacity for ADCs, which is a key task. In response to the increase in demand, we have built new production bases inside and outside our Group, worked on regulatory filing of new manufacturing bases, and established a structure to support more clinical studies with a limited number of investigational drugs, thereby contributing to maximizing the value of *DS-8201*.

Going through the filing process for *ENHERTU* in the U.S. and Japan at an unprecedented speed in our history

With the mission of delivering *ENHERTU*, Daiichi Sankyo's first global oncology product, to patients as soon as possible, we worked on the filing process. To attain simultaneous filing in the U.S. and Japan , a process was established and implemented to streamline the preparation of application data on the design of drug substances, drug products, and quality. In the U.S., all data related to manufacturing process validation were submitted to the U.S. Food and Drug Administration (FDA) following the filing of application, ahead of the deadline agreed with the FDA. This contributed to the accelerated approval of *ENHERTU*. In addition, we were able to respond to inquiries from authorities in the U.S. and Japan in an on-time manner by sharing information promptly and forming timely agreements on the responses to queries with AstraZeneca. As a result of these measures, approval was obtained in an unprecedented short period of time in the Company's history.

Increasing added value through pharmaceutical technology

One of the important roles of the Pharmaceutical Technology Unit is to design formulations and packaging that are easy for patients and healthcare professionals to use and suitable for patients in terms of their diseases, as well as to develop relevant manufacturing methods. We make an effective use of our researchers' findings obtained during their visits to healthcare settings and information collected by our marketing personnel concerning the needs of healthcare professionals to promote the development of products and technologies. Examples of our past efforts include the development of *LIXIANA* orally disintegrating (OD) tablets, *Olmetec* OD tablets, and extended-release formulations of oral narcotic drugs. To provide a new treatment option for patients with COVID-19 as soon as possible, Daiichi Sankyo utilizes technology acquired through the development of anti-influenza agent *Inavir* to promote research and development of *nafamostat* inhalation formulation.

Developing highly productive expression systems in novel CHO cell* line

In the strategic collaboration with AstraZeneca for *DS-8201* and *DS-1062* and the early development of subsequent DXd-ADCs and other antibody drug pipelines, important issues for the Company have been improving antibody productivity and reducing manufacturing lead time. In the manufacturing of antibody drugs, long period of time for cell culture has been one of the reasons for the prolonged manufacturing lead time and high cost. The Company has participated in the Manufacturing Technology Association of Biologics (MAB) supported by the Ministry of Economy, Trade and Industry (METI) and the Japan Agency for Medical Research and Development (AMED), and successfully obtained novel CHO cell line with high proliferative ability. In addition, a new CHO cell expression system developed by combination with an in-house developed vector showed about three to four times higher antibody productivity than the previous system. In the future, we will be able to shorten manufacturing lead time, supply investigational drugs in a timely manner, and achieve low-cost commercial production by applying this technology to the manufacturing of subsequent DXd-ADCs and other antibody drugs.

* Chinese hamster ovary cells. Widely used in the manufacture of antibody drugs.

Pharmaceutical Technology

Future efforts

Increasing production of DXd-ADCs and future modalities

As a result of the strategic collaboration with AstraZeneca for *DS-8201* and following *DS-1062* and the steady progress in the clinical studies of subsequent DXd-ADCs, an ever-more-extensive expansion of the production capacity is required for manufacturing investigational drugs and commercial products. We facilitate on-time technology transfer to commercial production facilities, considering an option of further utilizing contract manufacturing organization (CMOs). For research on the drug substances, drug products, and quality evaluation of new modalities, such as next generation ADCs, nucleic acid, cell therapy, and gene therapy, we are working hard to develop and utilize advanced technologies, including ones derived from strategic use of specialized contract development and manufacturing organizations (CDMOs). In addition, we will work on enhancing our development/quality research structure for vaccines such as *DS-5670* (COVID-19 vaccine).

Supply Chain

A supply chain is a series of processes from the procurement of raw materials to the production, inventory control, and delivery of products. Our supply chain is shifting rapidly to oncology/biological products. In particular, in response to the rapid expansion of antibody-drug conjugate (ADC) products, we are strengthening our production and supply system by making large capital expenditures for manufacture of biological products and adding contract manufacturers worldwide, among other efforts.

Strength and challenge

Strength Launch and stable supply of products suitable for the market in each country through a global manufacturing and supply system
Capable of providing a long-term stable supply of high-quality pharmaceutical products around the world in the event of an emergency such as a natural disaster

Challenge To establish a stable supply system, taking into account development and launch schedules for the subsequent ADCs
To establish storage and transportation/delivery systems for regenerative medical products such as *DS-1647 (G47Δ)* and *axicabtagene ciloleucel* (anti-CD19 CAR-T cell)

Progress of major Initiatives

Formulate and steadily promote supply strategies in response to the increased demand for 3 ADCs

Considering a significant increase in demand for *ENHERTU* following the announcement of a strategic collaboration with AstraZeneca at the end of March 2019, demand forecast for *DS-1062*, and modification to the 5-year business plan, which was made at the end of October 2019 to clarify that the Company would place a top priority on maximizing the value of 3 ADCs, Daiichi Sankyo has strengthened its production system to maximize the capacity to supply 3 ADCs. In order to ensure stable supply in the future, the Company has increased its in-house production capacity and acquired production lines at overseas contract manufacturing organizations (CMOs).

As for *ENHERTU*, we swiftly began supplying products in the U.S. and Japan.

Contribute to generating group profits by reducing costs

The supply chain of a company plays an important role in pursuing cost reductions to generate profits. For *edoxaban*, which sustains our current revenue, we improve manufacturing methods in our plants, explore new sources of raw materials, and make other ongoing efforts to reduce costs. We have also achieved a significant cost reduction in equipment procurement by examining specifications carefully and making inquiries to competitive suppliers, under a situation where engineering operations that require a large capital expenditure are on the rise.

Global supply chain management

As the Daiichi Sankyo Group is a global supplier of products, global supply chain management is critical to ensuring a stable supply of products. We have established and worked to strengthen a tripartite global supply chain management system for the global procurement of raw materials, control of production volumes, inventory control, delivery, and resolution of supply and demand management issues in Japan, U.S., and Europe.

Promote reliable and stable supply during the COVID-19 pandemic

Daiichi Sankyo establishes a task force in its supply chain to achieve stable supply by continuing the operation of plants through thorough infection prevention measures and securing routes for importing raw materials for drug substances and intermediates.

Steadily promote the use and management of advanced technology

The Daiichi Sankyo Group has accelerated research and development of new modality products, such as CAR-T cell therapy, nucleic acid drug, gene therapy, and siRNA*. For its supply chain, we examine transportation/delivery methods that fit the characteristics of each new modality. Currently, we are developing a commercial logistics scheme for regenerative medical products that require transportation and delivery in the ultra-low temperature range, such as *DS-1647 (G47Δ)*, an oncolytic virus, and *axicabtagene ciloleucel*, a CAR-T cell product.

* small interfering RNA

Future efforts

Steadily promote the establishment of a stable supply system in response to increased demand for 3 ADCs

To maximize the value of 3 ADCs, Daiichi Sankyo plans to make investments of more than ¥100.0 billion in manufacturing facilities by fiscal 2022. In addition to further strengthening its production system to maximize the capacity to supply 3 ADCs, we will build a supply system to ensure stable supply in the future. We also continue to train manufacturing personnel for biological products.

Activity Report

Medical Affairs

The Medical Affairs Unit collects, analyzes, and evaluates medical information related to the Company's products; and generates and disseminates evidence, whereby contributing to treatment and maximizing the medical value of the Company's products. We identify clinical questions existing in the real clinical setting through collecting, analyzing and evaluating information on unmet medical needs and develop medical strategies to solve them. We perform clinical research activities based on the medical strategies and disseminate new evidence. Repeating this cycle of information collection, analysis and evaluation; and evidence generation and dissemination leads to improved medical value of the products. In addition, we are evolving product information functions and enhancing the quality of responses to our stakeholders.

Strength and challenge

Strength	**Know-how on information collection, analysis, and evaluation, and evidence generation and dissemination obtained from numerous clinical studies that we have performed mainly in the cardiovascular area Our high capability in Japan for responding to inquiries from physicians and paramedical staff, which we were ranked No. 1 in a call center satisfaction ranking of pharmaceutical companies.**
Challenge	**To strengthen organization/function for more sophisticated evidence generation and dissemination in the oncology area as a pharmaceutical company with competitive advantage in oncology**

Progress of major initiatives

Generate and disseminate scientific evidence on *edoxaban*

Edoxaban is becoming one of the best anticoagulant therapy options for patients with cardiovascular disease worldwide, particularly in Japan and Europe. In fiscal 2019, evidence obtained through several clinical researches including ENTRUST-AF PCI study was presented in major academic conferences and journals, and the evidence was cited in 3 global and 3 Japanese clinical guidelines. Currently, we are conducting a large observational study aimed at revealing the real clinical setting data of anticoagulant therapy and prognosis in elderly patients

aged 75 years or older with non-valvular atrial fibrillation, and the study results are becoming available. We will remain committed to generating and disseminating more evidence so that *edoxaban* contributes to more patients.

Generate and disseminate scientific evidence in the oncology field on a global scale

In order to enhance the capabilities to generate and disseminate evidence for *ENHERTU* and other oncology products on a global scale, we strengthen our functions globally and in Japan and engage in a range of medical activities.

In collaboration with AstraZeneca, we have promoted the activities in line with a global medical strategy to generate and disseminate evidence on breast and other cancers after the launch of *ENHERTU*. The Medical Affairs is also responsible for the Company's publication strategy as part of evidence disseminating activities. In fiscal 2019, we made an oral presentation of the results form DESTINY-Breast01 study, which were the first pivotal study results of DXd-ADC pipelines at the San Antonio Breast Cancer Symposium (SABCS). The results were also simultaneously published in the *New England Journal of Medicine*. Through these events, we were able to disseminate the evidence effectively. As the oncology medical practice continues to advance at a fast-moving pace, it is essential to collect information on treatments and competitive products. We are conducting several activities to contribute to maximizing the medical value of products from an early stage of research and development by enhancing these functions to collect, analyze, and evaluate information, as well as by strengthening cooperation with related functions.

Future efforts

Further strengthening of evidence generation and dissemination in the oncology field

To contribute to maximizing the value of DXd-ADC pipelines and other products as a pharmaceutical company with competitive advantage in oncology, we promote developing cancer type-based medical strategies in addition to product-based medical strategies, and carry out relevant activities. In addition, we enhance the functions of medical science liaison (MSL), real world evidence (RWE), and companion diagnostics/biomarkers. Cooperating with related functions, we complement "Fast to Market strategies (meaning strategies to obtain approval and launch a product in the shortest period of time)" from a scientific and medical perspective. Through patient advocacy activities (such as support for patient groups) mainly outside Japan and the publication of patient-friendly manuscripts, we will also strengthen patient-centric information collection and evidence dissemination.

Take advantage of digital health tools/care

With the aim of improving patient's drug adherence, promoting the proper use of drugs, monitoring the efficacy and side effects that are reported from patients, supporting the diagnosis of diseases, and understanding potential medical needs, we have initiated the development of electronic patient reported outcome (ePRO)/personal health record (PHR) applications and evaluation of applying them to clinical researches for various products.

We will use ePRO/PHR as a platform to gain experiences and know-how in digital health tools/care.

Quality & Safety

Quality & Safety unit undertakes the following activities from research and development through to post-marketing phases in order to assure the quality of medicines and the reliability of information and to ensure the safety of pharmaceutical products, the: 1) ensuring the reliability of processes and data related to the manufacturing and analysis of products; 2) ensuring the reliability of data on efficacy and safety, as well as the quality of products, in terms of Good Practice (GxP) compliance; 3) promoting compliance through comprehensive management of regulatory affairs functions; 4) performing pharmacovigilance activities in an accurate manner, including collecting, assessing, and analyzing product safety information; 5) promoting the proper use of products in a timely manner to minimize risks; and 6) ensuring regulatory compliance concerning safety information.

Strength and challenge

Strength	**Experience and know-how in quality assurance and safety management that we have gained through the roll-out of various global products while responding appropriately to the requirements of each country, with standards for the quality and safety of pharmaceutical products becoming increasingly stringent at a rapid pace in many countries around the world**
Challenge	**To acquire resources needed to enhance timely quality assurance and safety management systems in response to a significant increase and acceleration of clinical studies following the strategic collaboration for *DS-8201* and *DS-1062*, as well as progress in research and development and business evolution for other products including new modalities**

Progress of major initiatives

Restructuring of organizations

Although the Daiichi Sankyo Group's past product portfolio focused on cardiovascular products, oncology pipelines have expanded in recent years, and development is also accelerating. In fiscal 2019, we launched *Tarlige*, *ENHERTU*, and many other products and performed many clinical studies of oncology products. As the oncology business is expanding, the Company has established independent safety management functions to ensure prompt and accurate decision-making concerning safety measures for oncology products for which safety management becomes increasingly complex.

Global initiatives concerning quality assurance and safety measures for oncology products

Pharmaceutical companies are required to comply with GxPs and must comply with inspections by regulatory authorities in each country in order to obtain approval. *ENHERTU* is Daiichi Sankyo's first oncology product for which approval application was filed based on global clinical studies and it was approved in December 2019 in the U.S. and March 2020 in Japan. *ENHERTU* was also the Company's first biologics product that had undergone an inspection by the Food and Drug Administration (FDA). For this reason, we formed a response team at an early stage, made sufficient preparations through mock inspections and other activities, and underwent inspections by the authorities. As a result, we were able to acquire compliance with the requirements by the FDA and the Ministry of Health, Labour and Welfare.

With regard to the safety of *DS-8201*, interstitial lung diseases (ILDs) have been defined as an "important identified risk," and a global ILD risk management system has been established. We work to swiftly obtain information on the cases of ILDs reported in various countries, and assess and analyze it in cooperation with AstraZeneca.

In Japan, in addition to formulating a drug risk management plan, we manage distribution by identifying medical institutions and physicians capable of managing ILDs,. To ensure that medical representatives can provide medical institutions with information promptly in response to their inquiries regarding safety, we have set up a safety communicator system and worked on other efforts to strengthen our support system.

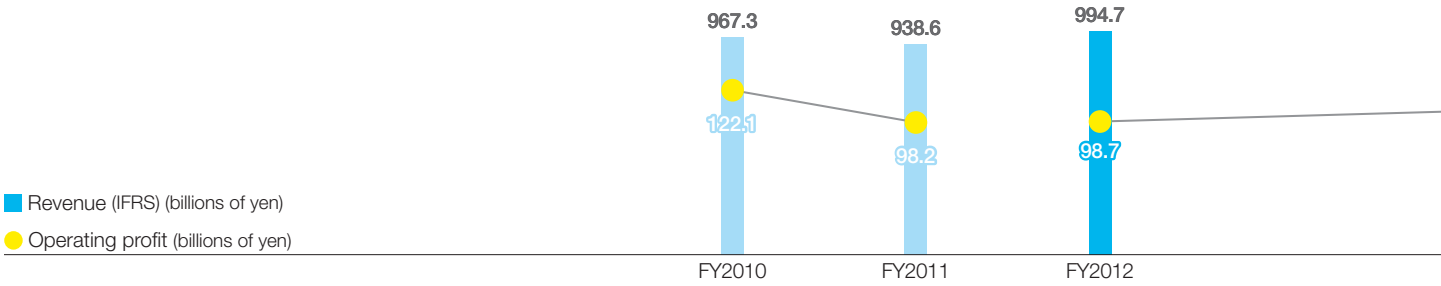
We will build a similar system for *DS-1062*.

Future efforts

In addition to the global roll-out of *DS-8201*, we will accelerate and expand the development of *DS-1062* in alliance with AstraZeneca. This will result in more complex operations in quality assurance and safety management and a significant increase in information. In order to provide a stable supply and information to ensure that the product is used without uneasiness, we will promote quality assurance and safety management in light of the characteristics of anticancer drugs and ADCs.

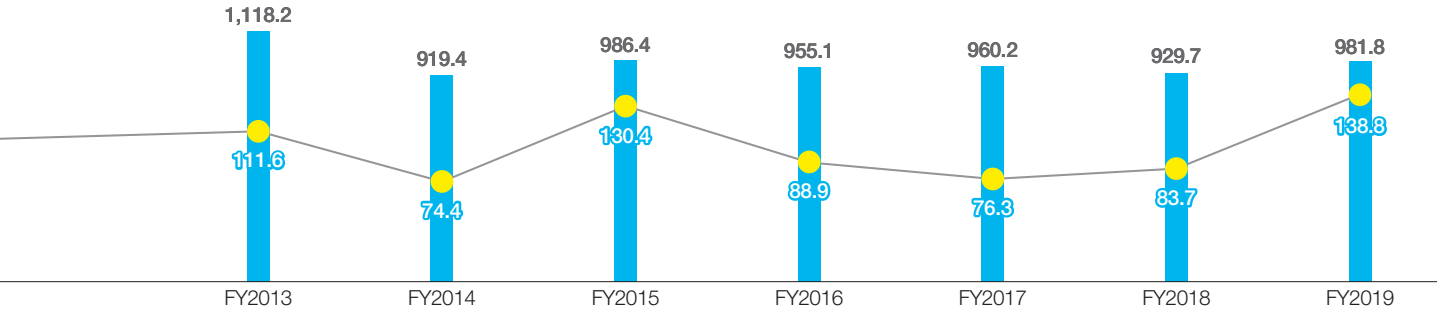
In Japan, we will also develop the business of regenerative medical products such as *axicabtagene ciloleucel* and *DS-1647(G47Δ)*. These new modality products require measures not needed for conventional small molecule drugs and antibody products. Therefore, we will perform proper and accurate quality assurance and safety management depending on the characteristics of regenerative medical products (handling of biological samples, custom-made, etc.).

10-Year Financial Summary



Item	Japanese GAAP		IFRS
	FY2010	FY2011	FY2012
Financial Results			
Revenue	967.3	938.6	994.7
Overseas revenue	489.7	469.0	483.2
Ratio of overseas revenue to revenue (%)	50.6	50.0	48.6
Operating profit	122.1	98.2	98.7
Ratio of operating profit to revenue (%)	12.6	10.5	9.9
Profit attributable to owners of the Company	70.1	10.3	64.0
Research and development expenses	194.3	185.0	184.4
Ratio of research and development expenses to revenue (%)	20.1	19.7	18.5
Depreciation and amortization	43.9	46.3	45.3
Capital expenditure	37.3	62.9	65.1
Financial Position			
Total assets	1,480.2	1,518.4	1,684.9
Total equity	887.7	832.7	938.5
Cash Flows			
Net increase (decrease) in cash and cash equivalents	43.2	(89.7)	(37.8)
Free cash flows*	78.1	(32.5)	20.4
Per Share Information			
Basic earnings per share (yen)	99.62	14.75	90.96
Equity per share attributable to owners of the Company (yen)	1,206.12	1,143.52	1,287.94
Annual dividends per share (yen)	60	60	60
Main Financial Indicators			
Return on equity attributable to owners of the Company (ROE) (%)	8.2	1.3	7.4
Ratio of equity attributable to owners of the Company to total assets (%)	57.4	53.0	53.8
Ratio of dividends to equity attributable to owners of the Company (DOE) (%)	5.0	5.1	4.9
Price-earnings ratio (PER)	16.1	102.2	20.0
Stock price at the end of the year (yen)	1,606	1,508	1,815
Market capitalization	1,130.4	1,069.2	1,277.7
Average exchange rates (USD/JPY)	85.72	79.07	83.11
(EUR/JPY)	113.13	108.96	107.15
Number of Employees	30,488	31,929	32,229
Japan	9,002	9,308	9,251
North America	3,410	3,737	3,331
Europe	2,576	2,624	2,556
Others	15,500	16,260	17,091

* Cash flows from operating activities + Cash flows from investing activities



(billions of yen)

FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019
1,118.2	919.4	986.4	955.1	960.2	929.7	981.8
584.5	392.4	430.7	375.2	341.9	333.8	374.1
52.3	42.7	43.7	39.3	35.6	35.9	38.1
111.6	74.4	130.4	88.9	76.3	83.7	138.8
10.0	8.1	13.2	9.3	7.9	9.0	14.1
60.9	322.1	82.3	53.5	60.3	93.4	129.1
191.2	190.7	208.7	214.3	236.0	203.7	197.5
17.1	20.7	21.2	22.4	24.6	21.9	20.1
51.5	42.0	44.3	47.4	46.7	46.2	52.6
49.2	36.3	23.3	23.9	26.9	38.3	29.0
1,854.0	1,982.3	1,900.5	1,915.0	1,897.8	2,088.1	2,105.6
1,007.5	1,307.0	1,233.5	1,171.4	1,133.0	1,249.7	1,306.3
(23.7)	(10.7)	45.4	24.4	115.2	(116.7)	186.6
(124.1)	121.5	168.3	39.4	217.0	(50.5)	278.3
86.57	457.56	119.37	79.63	91.31	144.20	199.21
1,392.03	1,852.28	1,801.90	1,772.99	1,749.33	1,928.80	2,014.93
60	60	70	70	70	70	70
6.5	28.2	6.5	4.4	5.2	7.8	10.1
52.9	65.8	64.8	61.4	59.7	59.8	62.0
4.5	3.7	3.8	3.9	4.0	3.8	3.5
20.1	4.2	21.0	31.5	38.6	35.4	37.3
1,738	1,907	2,502	2,507	3,526	5,100	7,434
1,223.5	1,342.6	1,710.2	1,662.7	2,283.7	3,304.2	4,817.7
100.24	109.94	120.14	108.42	110.86	110.91	108.75
134.38	138.78	132.57	118.84	129.70	128.40	120.83
32,791	16,428	15,249	14,670	14,446	14,887	15,348
9,145	8,543	8,589	8,648	8,765	8,865	8,754
3,402	3,322	2,321	2,464	2,191	2,172	2,380
2,226	2,094	1,997	1,578	1,582	1,778	1,953
18,018	2,469	2,342	1,980	1,908	2,072	2,261

* Results for FY2012 in compliance with IFRS are shown for comparison purposes.

Financial Results and Financial Analysis

Consolidated Financial Results for Fiscal 2019

Consolidated Financial Results

(Billions of yen)

	FY2018 Results	FY2019 Results	YoY	
Revenue	929.7	981.8	+52.1	(+5.6%)
Cost of sales	364.6	343.2	-21.4	
SG&A expenses	277.7	302.3	+24.6	
Research and development expenses	203.7	197.5	-6.2	
Operating profit	83.7	138.8	+55.1	(+65.8%)
Profit before tax	85.8	141.2	+55.3	(+64.5%)
Profit attributable to owners of the Company	93.4	129.1	+35.7	(+38.2%)

Yen exchange rates for major currencies (Annual average rate)

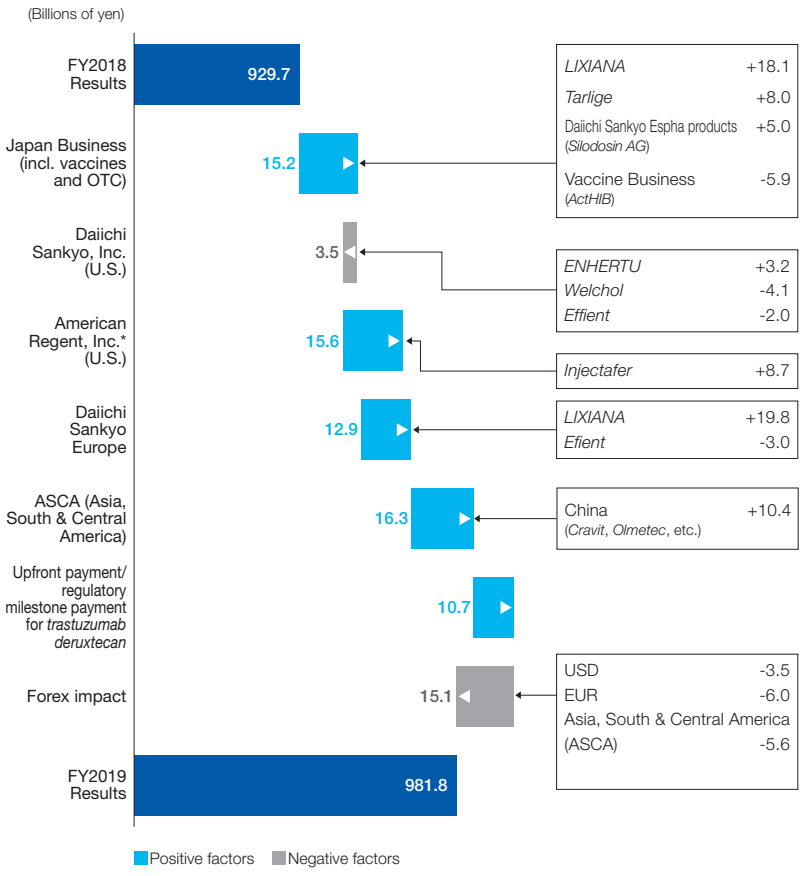
	FY2018 Results	FY2019 Results	YoY
USD/JPY	110.91	108.75	-2.16
EUR/JPY	128.40	120.83	-7.57

1. Revenue

Consolidated revenue in fiscal 2019 increased by ¥52.1 billion, or 5.6% year on year, to ¥981.8 billion.
The impacts of foreign exchange placed downward pressure on revenue to the extent of ¥15.1 billion. When these impacts are excluded, revenue was up ¥67.2 billion.

Revenue

Increased by ¥52.1 billion (Increased by ¥67.2 billion excl. forex impact)



* Formerly Luitpold Pharmaceuticals, Inc.

In the Japan Business, the Vaccine Business experienced a decrease in revenue, but overall revenue increased by ¥15.2 billion following higher sales of our mainstay innovative pharmaceuticals such as *LIXIANA* and *Tarlige* and the contribution of Daiichi Sankyo Espha products and other products.

In the United States, revenue from Daiichi Sankyo, Inc. declined ¥3.5 billion year on year following a decrease in revenue from *Welchol* and *Effient*, despite the contribution of *ENHERTU*, which was launched in January 2020.

American Regent Inc. saw a revenue increase of ¥15.6 billion year on year following higher sales of *Injectafer*.

Revenue at Daiichi Sankyo Europe GmbH increased ¥12.9 billion year on year due to an increase in *LIXIANA* sales, despite a decrease in sales from *Efient*.

In the Company's operations in ASCA, Asia and South & Central America, revenue was up ¥16.3 billion year on year due to the growth in revenue in China.

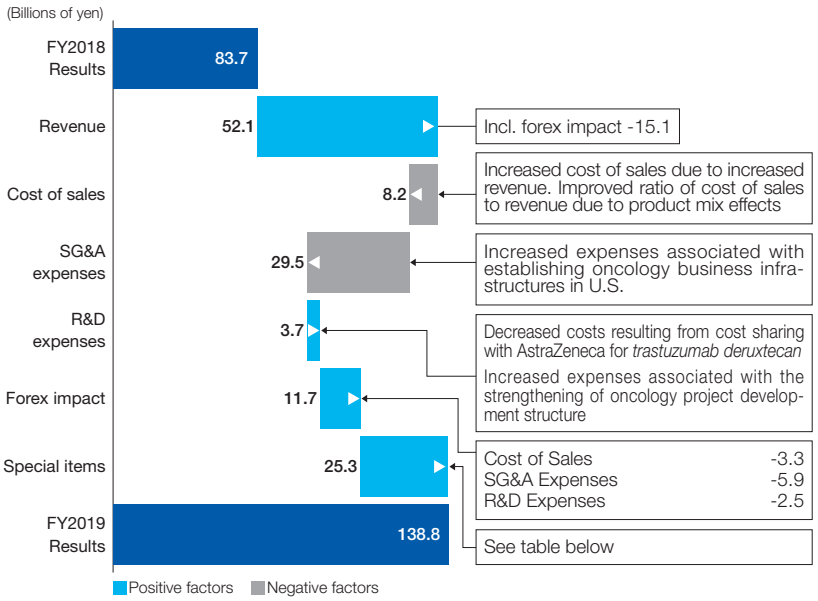
Consolidated revenue increased by ¥52.1 billion due to an upfront payment for *trastuzumab deruxtecan* (*DS-8201*; brand name in Japan and the U.S., *ENHERTU*) and ¥10.7 billion of revenue recognized for this fiscal year from the revenue of regulatory milestone payment for approval in the United States. For *trastuzumab deruxtecan*, Daiichi Sankyo concluded a joint development and co-promotion agreement with AstraZeneca in March 2019.

2. Operating Profit

Operating profit in fiscal 2019 increased ¥55.1 billion, or 65.8% year on year, to ¥138.8 billion.
When the impacts of foreign exchange influences and special items are excluded, the actual increase in operating profit was ¥33.2 billion.

Operating profit

Increased by ¥55.1 billion (Increased by ¥33.2 billion excl. forex impact and special items)



Consolidated revenue in fiscal 2019 increased ¥52.1 billion, including impact from foreign exchange to the extent of ¥15.1 billion.

Cost of sales increased with the growth in revenue but was up only ¥8.2 billion year on year as the ratio of cost of sales to revenue was improved as a result of the change in the product mix.

SG&A expenses increased ¥29.5 billion year on year, owing to an increase in expenses associated with establishing our oncology business infrastructure in the United States, among other factors. R&D expenses dropped ¥3.7 billion year on year due to decreased costs resulting from cost sharing with AstraZeneca for *trastuzumab deruxtecan*, among other factors.

Foreign exchange influences caused a decrease of ¥11.7 billion in expenses.

Special items in fiscal 2018 included impairment loss in intangible assets related to *Zelboraf* and *MOVANTIK*, resulting in a total increase of ¥11.6 billion in expenses. However, special items in fiscal 2019 included gain on sales of Takatsuki plant transfer and Nihonbashi building, resulting in a decrease of ¥13.7 billion in expenses, and a decrease of ¥25.3 billion in expenses year on year.

Special items

(Billions of yen)

	FY2018 Results		FY2019 Results		YoY
Cost of sales	Impairment loss (intangible assets)*1	15.1	Restructuring costs in supply chain	1.3	-26.3
			Impairment loss (intangible assets)*2	6.3	
			Gain on sales of subsidiary*3	-18.8	
SG&A expenses	Gain on Sales of fixed assets	-3.5	Gain on Sales of fixed assets*4	-10.6	+1.0
			Environmental expenditures*5	8.2	
Total		11.6		-13.7	-25.3

-: Cost decreased items *1 *Zelboraf* and *MOVANTIK*

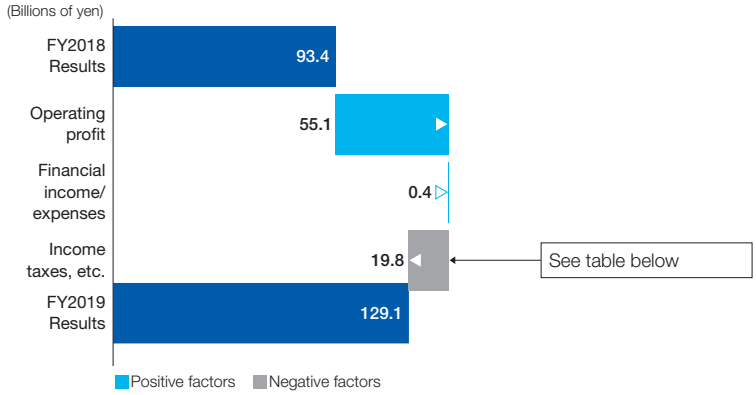
*2 *MorphaBond*, *RoxyBond*, and *Zelboraf*
*3 Gain on sales of Takatsuki plant transfer
*4 Gain on sales of Nihonbashi building
*5 Former Yasugawa plant

3. Profit Attributable to Owners of the Company

Profit attributable to owners of the Company increased ¥35.7 billion, or 38.2% year on year, to ¥129.1 billion.

Profit attributable to owners of the Company

Increased by ¥35.7 billion



Operating profit increased ¥55.1 billion, or 65.8% year on year, including foreign exchange influences and special items.

Income taxes, etc. increased ¥19.8 billion year on year. In fiscal 2018, income taxes etc. were negative because the future taxable income amount increased in the previous fiscal year in conjunction with the strategic collaboration for *trastuzumab deruxtecan* (*DS-8201*) and it became possible to recognize additional deferred tax assets. As a result, the income tax rate increased compared to the previous fiscal year although profit attributable to owners of the Company increased.

Income taxes, etc.

(Billions of yen)

	FY2018 Results	FY2019 Results	YoY
Profit before tax	85.8	141.2	+55.3
Income taxes, etc.	-7.6	12.2	+19.8
Tax rate	-8.8%	8.6%	+17.5%

Financial Results and Financial Analysis

Financial Position

1. Assets, Liabilities, and Equity

ASSETS

Total assets at the end of fiscal 2019 amounted to ¥2,105.6 billion. Trade and other receivables as well as other financial assets decreased, whereas cash and cash equivalents as well as deferred tax assets increased. These, among other factors, resulted in an increase of ¥17.6 billion compared to the end of the previous fiscal year.

Liabilities

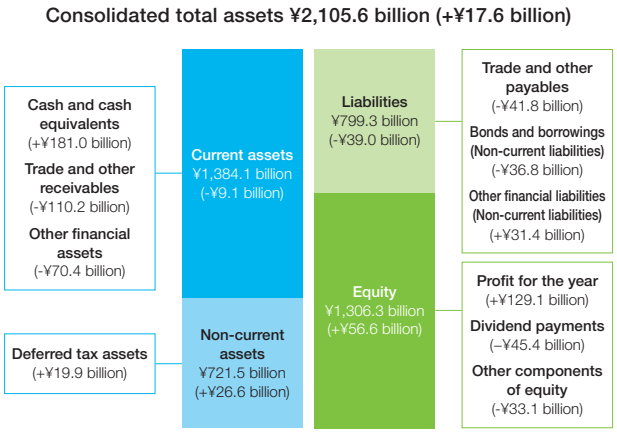
Total liabilities at the end of fiscal 2019 amounted to ¥799.3 billion. Other financial liabilities (non-current liabilities) increased, whereas trade and other payables as well as bonds and borrowings (non-current liabilities) decreased. These, among other factors, resulted in a decrease of ¥39.0 billion in total liabilities compared to the end of the previous fiscal year.

Equity

Total equity at the end of fiscal 2019 amounted to ¥1,306.3 billion. Dividend payments contributed to a decrease, whereas profit attributable to owners of the Company recorded for the year among other factors ultimately led to an increase of ¥56.6 billion compared to the end of the previous fiscal year.

Summary of consolidated statement of financial position

As of March 31, 2020: parentheses ( ) indicate comparison to March 31, 2019



2. Cash Flows

Cash and cash equivalents at the end of fiscal 2019 increased by ¥181.0 billion year on year to ¥424.2 billion.

Cash flows from operating activities

Cash inflows from operating activities were ¥196.6 billion (¥92.0 billion in the previous fiscal year) due to a profit before tax amounting to ¥141.2 billion, depreciation and amortization amounting to ¥52.6 billion, and other non-cash items, as well as upfront payment for the *trastuzumab deruxtecan* strategic collaboration, among other contributing factors.

Cash flows from investing activities

Cash inflows from investing activities were ¥81.7 billion (¥142.5 billion outflow in the previous fiscal year) due to payments into time deposits, ¥37.1 billion of gain on sales of Takatsuki plant transfer, and ¥13.9 billion of gain on sales of Nihonbashi building, among other factors, despite capital expenditure and acquisitions of intangible assets.

Cash flows from financing activities

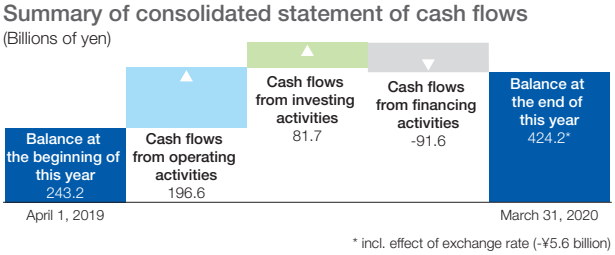
Cash outflows from financing activities were ¥91.6 billion (¥66.2 billion outflow in the previous fiscal year) due to dividend payments of ¥45.4 billion, repayments of bonds of ¥40.0 billion, and other factors.

(Billions of yen)

	FY2018 Results	FY2019 Results	YoY
Cash flows from operating activities	92.0	196.6	+104.6
Cash flows from investing activities	-142.5	81.7	+224.2
Cash flows from financing activities	-66.2	-91.6	-25.4
Net increase in cash and cash equivalents	-116.7	186.6	+303.3
Effect of exchange rate change on cash and cash equivalents	2.1	-5.6	-7.8
Cash and cash equivalents at the end of the year	243.2	424.2	+181.0
Free cash flows*	-50.5	278.3	+328.8

* Free cash flows = Cash flows from operating activities + Cash flows from investing activities

Summary of consolidated statement of cash flows



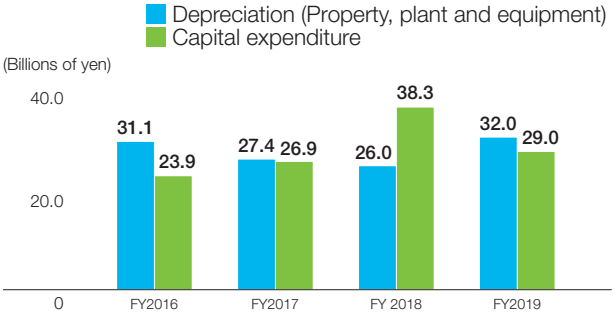
* incl. effect of exchange rate (-¥5.6 billion)

3. Capital Expenditure

In fiscal 2019, we focused ¥29.0 billion of capital expenditure on the enhancement of production facilities for oncology products and iron injectable in the United States.

(Billions of yen)

	FY2018 Results	FY2019 Results	YoY
Capital expenditure	38.3	29.0	-9.3
Depreciation (Property, plant and equipment)	26.0	32.0	+6.0



Financial Results Forecasts for Fiscal 2020

Sales revenues are projected to decrease 1.2% year on year to ¥970.0 billion, as a result of the NHI drug price revision in Japan, the expiration of the exclusive sales period for *Memary*, and the termination of sales of a part of vaccines, which will be offset by revenue increase from *LIXIANA*, our mainstay products, and from *ENHERTU* and *Tarlige* which were launched in the previous fiscal year.

Operating profit is projected to decrease 42.4% year on year to ¥80.0 billion due to an expected increase in expenses resulting from the continued intensive investment in the oncology business, including the expansion of development plan for *ENHERTU*, and the booking of a one-time gain from the sale of a subsidiary in the previous fiscal year.

Profit attributable to owners of the Company is expected to decrease 56.6% year on year to 56.0 billion, due to the fact that the normal tax rate is assumed in fiscal 2020 while the tax rate in the previous fiscal year was low due to the introduction of consolidated taxation system, etc.

Forecasts are based on an assumption of foreign exchange rates at ¥110 to the U.S. dollar and ¥120 to the euro.

The impact of the *DS-1062* strategic collaboration is not included.

As it is difficult to accurately estimate the timing of convergence of COVID-19 at this point, the above forecasts do not reflect the impact of COVID-19. If global activity restrictions continue until the fourth quarter, the Company expects a negative impact of 2% to 4% (¥20.0 to ¥40.0 billion) on revenue due to factors such as the refraining of medical care. At the same time, the Company expects a decrease in expenses due to a decline in business activities, so the impact on operating profit is expected to be negligible.

Consolidated financial results forecast for fiscal 2020

(Billions of yen)

	FY2019 Results	FY2020 Forecast	YoY	
Revenue	981.8	970.0	–11.8	(–1.2%)
Operating profit	138.8	80.0	–58.8	(–42.4%)
Profit before tax	141.2	80.0	–61.2	(–43.3%)
Profit attributable to owners of the Company	129.1	56.0	–73.1	(–56.6%)

Yen exchange rates for major currencies (Annual average rate)

	FY2019 Results	FY2020 Forecast
USD/JPY	108.75	110.00
EUR/JPY	120.83	120.00

Shareholder Returns

In order to achieve sustainable growth in corporate value, the basic policy of management is to decide profit distributions based on a comprehensive evaluation of the investments essential for implementing the growth strategy and profit returns to shareholders.

Our shareholder return policy calls for a total return ratio*1 of 100% or more cumulatively for the fiscal 2016 through fiscal 2022, and annual ordinary dividend payments of ¥70 per share or more (pre-split base*2). On the basis of this policy, Daiichi Sankyo intends to pay stable dividends while flexibly acquiring shares of its own stock.

Under this basic policy, Daiichi Sankyo achieved ordinary dividend payments of ¥70 per share in fiscal 2019. As a result, the total return ratio was 35.1% for fiscal 2019 and 84.2% cumulatively over four years.

In fiscal 2020, the Company plans to issue annual dividends per share of ¥81, an increase of ¥11 per share compared to fiscal 2019 (¥40.50 per share as interim dividend and ¥13.50 per share as year-end dividend [post-split base*2]).

*1 (Total dividends + Total acquisition costs of own shares) / Profit attributable to owners of the Company
*2 Daiichi Sankyo resolved to implement a three-for-one split of its common stock effective on October 1, 2020 at the Board of Directors meeting held on April 27, 2020.

Shareholder returns policy (cumulative targets for FY2016 through FY2022)

	FY2016 Results	FY2017 Results	FY2018 Results	FY2019 Results	FY2020 Plan
Dividend per share (pre-split base*2)	¥70	¥70	¥70	¥70	¥81
Purchase of treasury shares	¥50.0 billion	¥50.0 billion	—	—	Flexible
Total return ratio*1	180.7%	159.1%	48.5%	35.1%	—
	84.2%				

Consolidated Financial Statements

Consolidated Statement of Profit or Loss

(Millions of yen)

	FY2018 (For the year ended March 31, 2019)	FY2019 (For the year ended March 31, 2020)
Revenue	929,717	981,793
Cost of sales	364,605	343,206
Gross profit	565,112	638,586
Selling, general and administrative expenses	277,695	302,320
Research and development expenses	203,711	197,465
Operating profit	83,705	138,800
Financial income	8,141	9,849
Financial expenses	5,910	7,813
Share of profit (loss) of investments accounted for using the equity method	(105)	327
Profit before tax	85,831	141,164
Income taxes	(7,591)	12,196
Profit for the year	93,422	128,967
Profit attributable to:		
Owners of the Company	93,409	129,074
Non-controlling interests	12	(107)
Profit for the year	93,422	128,967
Earnings per share		
Basic earnings per share (yen)	144.20	199.21
Diluted earnings per share (yen)	143.88	198.80

Consolidated Statement of Comprehensive Income

(Millions of yen)

	FY2018 (For the year ended March 31, 2019)	FY2019 (For the year ended March 31, 2020)
Profit for the year	93,422	128,967
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	60,976	(7,682)
Remeasurements of defined benefit plans	205	(4,272)
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign operations	9,289	(15,409)
Other comprehensive income (loss) for the year	70,471	(27,364)
Total comprehensive income for the year	163,893	101,602
Total comprehensive income attributable to:		
Owners of the Company	163,881	101,710
Non-controlling interests	12	(107)
Total comprehensive income for the year	163,893	101,602

Consolidated Statement of Financial Position

(Millions of yen)

	FY2018 (As of March 31, 2019)	FY2019 (As of March 31, 2020)
ASSETS		
Current assets		
Cash and cash equivalents	243,155	424,184
Trade and other receivables	419,609	309,363
Other financial assets	536,880	466,528
Inventories	176,067	173,362
Other current assets	15,471	10,546
Subtotal	1,391,183	1,383,984
Assets held for sale	2,000	134
Total current assets	1,393,184	1,384,119
Non-current assets		
Property, plant and equipment	229,085	247,053
Goodwill	77,851	76,760
Intangible assets	169,472	172,499
Investments accounted for using the equity method	2,200	383
Other financial assets	114,895	97,974
Deferred tax assets	94,809	114,748
Other non-current assets	6,551	12,079
Total non-current assets	694,866	721,499
Total assets	2,088,051	2,105,619

(Millions of yen)

	FY2018 (As of March 31, 2019)	FY2019 (As of March 31, 2020)
LIABILITIES AND EQUITY		
Current liabilities		
Trade and other payables	312,660	270,867
Bonds and borrowings	40,000	40,389
Other financial liabilities	530	9,490
Income taxes payable	10,451	9,937
Provisions	7,837	5,367
Other current liabilities	12,715	15,019
Subtotal	384,195	351,071
Liabilities directly associated with assets held for sale	349	—
Total current liabilities	384,544	351,071
Non-current liabilities		
Bonds and borrowings	220,585	183,811
Other financial liabilities	5,680	37,118
Post-employment benefit liabilities	10,384	5,263
Provisions	4,985	10,597
Deferred tax liabilities	17,166	15,641
Other non-current liabilities	195,000	195,840
Total non-current liabilities	453,802	448,273
Total liabilities	838,346	799,344
Equity		
Equity attributable to owners of the Company		
Share capital	50,000	50,000
Capital surplus	94,633	94,633
Treasury shares	(162,964)	(162,519)
Other components of equity	115,166	82,094
Retained earnings	1,152,806	1,241,600
Total equity attributable to owners of the Company	1,249,642	1,305,809
Non-controlling interests		
Non-controlling interests	62	464
Total equity	1,249,705	1,306,274
Total liabilities and equity	2,088,051	2,105,619

Consolidated Financial Statements

Consolidated Statement of Changes in Equity

(Millions of yen)

	Equity attributable to owners of the Company					
				Other components of equity		
	Share capital	Capital surplus	Treasury shares	Subscription rights to shares	Exchange differences on translation of foreign operations	Financial assets measured at fair value through other comprehensive income
Balance as of April 1, 2018	50,000	94,633	(163,531)	1,993	57,339	61,171
Changes in accounting policies	—	—	—	—	—	—
Adjusted balance as of April 1, 2018	50,000	94,633	(163,531)	1,993	57,339	61,171
Profit for the year	—	—	—	—	—	—
Other comprehensive income (loss) for the year	—	—	—	—	9,289	60,976
Total comprehensive income (loss) for the year	—	—	—	—	9,289	60,976
Purchase of treasury shares	—	—	(45)	—	—	—
Cancellation of treasury shares	—	—	612	(187)	—	—
Dividends	—	—	—	—	—	—
Transfer from other components of equity to retained earnings	—	—	—	—	—	(75,415)
Others	—	—	—	—	—	—
Total transactions with owners of the Company	—	—	567	(187)	—	(75,415)
Balance as of March 31, 2019	50,000	94,633	(162,964)	1,805	66,628	46,732
Changes in accounting policies	—	—	—	—	—	—
Adjusted balance as of April 1, 2019	50,000	94,633	(162,964)	1,805	66,628	46,732
Profit for the year	—	—	—	—	—	—
Other comprehensive income (loss) for the year	—	—	—	—	(15,409)	(7,682)
Total comprehensive income (loss) for the year	—	—	—	—	(15,409)	(7,682)
Purchase of treasury shares	—	—	(85)	—	—	—
Cancellation of treasury shares	—	—	530	(194)	—	—
Dividends	—	—	—	—	—	—
Changes associated with obtaining control of subsidiaries	—	—	—	—	—	—
Changes associated with losing control of subsidiaries	—	—	—	—	—	—
Transfer from other components of equity to retained earnings	—	—	—	—	—	(9,785)
Total transactions with owners of the Company	—	—	445	(194)	—	(9,785)
Balance as of March 31, 2020	50,000	94,633	(162,519)	1,611	51,218	29,264

(Millions of yen)

	Equity attributable to owners of the Company					
	Other components of equity					
	Remeasurements of defined benefit plans	Total for other components of equity	Retained earnings	Total equity attributable to owners of the Company	Non-controlling interests	Total equity
Balance as of April 1, 2018	—	120,504	1,031,376	1,132,982	58	1,133,041
Changes in accounting policies	—	—	(530)	(530)	—	(530)
Adjusted balance as of April 1, 2018	—	120,504	1,030,846	1,132,452	58	1,132,510
Profit for the year	—	—	93,409	93,409	12	93,422
Other comprehensive income (loss) for the year	205	70,471	—	70,471	—	70,471
Total comprehensive income (loss) for the year	205	70,471	93,409	163,881	12	163,893
Purchase of treasury shares	—	—	—	(45)	—	(45)
Cancellation of treasury shares	—	(187)	(115)	310	—	310
Dividends	—	—	(45,340)	(45,340)	—	(45,340)
Transfer from other components of equity to retained earnings	(205)	(75,621)	74,006	(1,615)	—	(1,615)
Others	—	—	—	—	(8)	(8)
Total transactions with owners of the Company	(205)	(75,808)	28,550	(46,691)	(8)	(46,699)
Balance as of March 31, 2019	—	115,166	1,152,806	1,249,642	62	1,249,705
Changes in accounting policies	—	—	(375)	(375)	—	(375)
Adjusted balance as of April 1, 2019	—	115,166	1,152,431	1,249,267	62	1,249,329
Profit for the year	—	—	129,074	129,074	(107)	128,967
Other comprehensive income (loss) for the year	(4,272)	(27,364)	—	(27,364)	—	(27,364)
Total comprehensive income (loss) for the year	(4,272)	(27,364)	129,074	101,710	(107)	101,602
Purchase of treasury shares	—	—	—	(85)	—	(85)
Cancellation of treasury shares	—	(194)	(64)	271	—	271
Dividends	—	—	(45,354)	(45,354)	—	(45,354)
Changes associated with obtaining control of subsidiaries	—	—	—	—	576	576
Changes associated with losing control of subsidiaries	—	—	—	—	(67)	(67)
Transfer from other components of equity to retained earnings	4,272	(5,512)	5,512	—	—	—
Total transactions with owners of the Company	4,272	(5,707)	(39,905)	(45,167)	509	(44,658)
Balance as of March 31, 2020	—	82,094	1,241,600	1,305,809	464	1,306,274

Consolidated Statement of Cash Flows

(Millions of yen)

	FY2018 (For the year ended March 31, 2019)	FY2019 (For the year ended March 31, 2020)
Cash flows from operating activities		
Profit before tax	85,831	141,164
Depreciation and amortization	46,169	52,611
Impairment loss	15,194	7,548
Financial income	(8,141)	(9,849)
Financial expenses	5,910	7,813
Share of (profit) loss of investments accounted for using the equity method	105	(327)
(Gain) loss on sale and disposal of non-current assets	(7,562)	(9,309)
(Increase) decrease in trade and other receivables	(187,792)	110,165
(Increase) decrease in inventories	(4,018)	(7,392)
Increase (decrease) in trade and other payables	60,419	(44,726)
Others, net	118,395	(29,650)
Subtotal	124,510	218,047
Interest and dividends received	5,437	7,261
Interest paid	(1,768)	(2,526)
Income taxes paid	(36,146)	(26,181)
Net cash flows from (used in) operating activities	92,033	196,601
Cash flows from investing activities		
Payments into time deposits	(452,338)	(881,884)
Proceeds from maturities of time deposits	378,448	908,646
Acquisition of securities	(149,672)	(152,836)
Proceeds from sale of securities	136,858	208,547
Acquisitions of property, plant and equipment	(36,108)	(31,936)
Proceeds from sale of property, plant and equipment	1,901	157
Acquisition of intangible assets	(30,505)	(20,629)
Acquisition of subsidiaries	—	463
Proceeds from sale of subsidiary	752	37,128
Payments for loans receivable	(548)	(533)
Proceeds from collection of loans receivable	839	520
Others, net	7,852	14,028
Net cash flows from (used in) investing activities	(142,520)	81,673
Cash flows from financing activities		
Proceeds from bonds and borrowings	—	3,981
Repayments of bonds and borrowings	(20,000)	(40,387)
Purchase of treasury shares	(45)	(85)
Proceeds from sale of treasury shares	0	0
Dividends paid	(45,339)	(45,356)
Others, net	(819)	(9,790)
Net cash flows from (used in) financing activities	(66,203)	(91,637)
Net increase (decrease) in cash and cash equivalents	(116,689)	186,636
Cash and cash equivalents at the beginning of the year	357,702	243,155
Effect of exchange rate change on cash and cash equivalents	2,143	(5,608)
Cash and cash equivalents at the end of the year	243,155	424,184

Major Products

Innovative Pharmaceuticals Business

Brand Name (Generic Name)		Efficacy	Launched	Remarks
Japan	Daiichi Sankyo Co., Ltd.			
ENHERTU	*(trastuzumab deruxtecan)*	Anti-cancer agent (HER2 directed antibody drug conjugate)	2020	Antibody-drug conjugate which is composed of a humanized monoclonal antibody specifically targeting HER2, one of the Epidermal Growth Factor Receptor (EGFR) family proteins, and a covalently linked drug (payload) via a cleavable linker. Payload is a potent and membrane permeable DNA topoisomerase I inhibitor which enables elimination of both target tumor cells and the surrounding tumor cells.
Tarlige	*(mirogabalin)*	Pain treatment	2019	An $\alpha 2\delta$ ligand. The pain therapy agent to reduce the neurotransmitter release from nerve terminals.
CANALIA	*(teneligliptin / canagliflozin)*	Type 2 diabetes mellitus treatment	2017	A first combination drug of the DPP-4 inhibitor *teneligliptin* and the SGLT2 inhibitor *canagliflozin* approved in Japan, which demonstrates blood glucose-lowering activity through a complementary pharmacological effect.
VIMPAT	*(lacosamide)*	Anti-epileptic agent	2016	Sodium channel blocker. Suppresses the excessive excitation of nerves in the brain, and reduces the occurrence of epileptic seizures.
Efient	*(prasugrel)*	Antiplatelet agent	2014	ADP receptor inhibitor. Inhibits platelet aggregation and reduces the incidence of artery stenosis and occlusion due to thrombosis.
PRALIA	*(denosumab)*	Treatment for osteoporosis / inhibitor for rheumatoid arthritis-induced progression of bone erosion	2013	Human monoclonal anti-RANKL antibody. Subcutaneous formulation which controls bone resorption and bone destruction by specifically inhibiting RANKL.
TENELIA	*(teneligliptin)*	Type 2 diabetes mellitus treatment	2012	DPP-4 inhibitor. The agent facilitates glucose-dependent insulin release and inhibits glucagon release, thereby demonstrating the blood glucose-lowering activity.
RANMARK	*(denosumab)*	Treatment for bone disorders caused by bone metastases from tumors	2012	Human monoclonal anti-RANKL antibody. This controls abnormal bone destruction caused by osteoclasts, and reduces the occurrence of fractures and other skeletal related events (SRE). Approved for the indication of giant cell tumors of bone in 2014 and was designated as an orphan drug.
LIXIANA	*(edoxaban)*	Anticoagulant	2011	Orally active Factor Xa inhibitor. Prevents the formation of blood clots by specifically, reversibly and directly inhibiting the enzyme, Factor Xa, a clotting factor in the blood.
NEXIUM	*(esomeprazole)*	Ulcer treatment	2011	Proton pump inhibitor. This can be used for a wide range of ages, from infants to adults. It suppresses excessive gastric acid secretion.
Memary	*(memantine)*	Alzheimer's disease treatment	2011	N-methyl-D-aspartate (NMDA) receptor antagonist. *Memantine* slows down progression of dementia symptoms in patients with moderate to severe Alzheimer's disease.
Inavir	*(laninamivir)*	Anti-influenza treatment	2010	Neuraminidase inhibitor that inhibits influenza viral proliferation. Treatment is completed with a single inhaled dosage.
Olmetec	*(olmesartan)*	Antihypertensive agent	2004	Angiotensin II receptor blocker. This suppresses the vasoconstriction effects of angiotensin II, and thereby demonstrates the effect of lowering blood pressure.
Rezaltas	*(olmesartan)*	Antihypertensive agent	2010	A combination drug of two antihypertensive agents: an angiotensin II receptor blocker, *olmesartan medoxomil*, and a calcium ion antagonist, *azelnidipine*. This combination demonstrates the effect of decreasing blood pressure through a complementary pharmacological effect.
Cravit	*(levofloxacin)*	Synthetic antibacterial agent	1993	New quinolone antibacterial agent offering strong antibacterial action and a broad antibacterial spectrum.
Mevalotin	*(pravastatin)*	Hypercholesterolemia treatment	1989	HMG-CoA reductase inhibitor (statin) that lowers blood cholesterol levels by inhibiting cholesterol synthesis in the liver.
Loxonin	*(loxoprofen)*	Anti-inflammatory analgesic	1986	Nonsteroidal anti-inflammatory analgesic. Suppresses the production of prostaglandin associated with inflammation, and thereby demonstrates an analgesic effect. Also available as transdermal agents (poultice, gel, tape).

LIXIANA (Japan)

TENELIA, *CANALIA* (Japan)

Memary (Japan)

Tarlige (Japan)

NEXIUM (Japan)

PRALIA (Japan)

RANMARK (Japan)

Enhertu (Japan)

Innovative Pharmaceuticals Business

Brand Name (Generic Name)		Efficacy	Launched	Remarks
US Daiichi Sankyo, Inc.				
Enhertu	*(trastuzumab deruxtecan)*	Treatment for malignant tumors (anti-HER2 antibody drug conjugate)	2020	An antibody drug conjugate that combines a fully human monoclonal antibody with a payload drug through a linker. The human monoclonal antibody binds specifically to human epidermal growth factor receptor 2 (HER2), a member of cell growth factor family receptor. The payload is a potent topoisomerase I inhibitor that has high membrane permeability and also kills nearby cancer cells with a bystander effect.
SAVAYSA	*(edoxaban)*	Anticoagulant	2015	Orally active Factor Xa inhibitor. It is an anticoagulant that specifically, reversibly and directly inhibits the enzyme, Factor Xa, a clotting factor in the blood. Approved for indications to reduce the risk of stroke and systemic embolism (SE) in patients with non-valvular atrial fibrillation (NVAF) and for the treatment of venous thromboembolism (VTE) (deep vein thrombosis (DVT) and pulmonary embolism (PE))
Effient	*(prasugrel)*	Antiplatelet agent	2009	Inhibits platelet aggregation and reduces the incidence of artery stenosis and occlusion
Benicar	*(olmesartan)*	Antihypertensive agent	2002	*Benicar*: *Olmesartan*
Benicar HCT			2003	*Benicar HCT*: A combination drug of *olmesartan medoxomil* and *hydrochlorothiazide* (diuretic)
AZOR			2007	*AZOR*: A combination drug of *olmesartan medoxomil* and *amlodipine besylate* (calcium channel blocker)
TRIBENZOR			2010	*TRIBENZOR*: A triple combination drug of *olmesartan medoxomil*, *hydrochlorothiazide*, and *amlodipine besylate*
Welchol	*(colesevelam)*	Hypercholesterolemia treatment Type 2 diabetes mellitus treatment	2000	Bile acid sequestrant. Marketed as a drug for treatment of hypercholesterolemia. Gained approval also for type 2 diabetes mellitus indication as part of life-cycle management
US American Regent, Inc.				
Injectafer	*(ferric carboxymaltose injection)*	Iron deficiency anemia treatment	2013	Effective for patients who have intolerance to oral iron or have had unsatisfactory response to oral iron, or who have non-dialysis-dependent chronic kidney disease
Venofer	*(iron sucrose injection)*	Iron deficiency anemia treatment	2000	Iron replacement product. Effective for treatment of iron deficiency anemia in dialysis patients, etc.
Europe Daiichi Sankyo Europe GmbH				
LIXIANA	*(edoxaban)*	Anticoagulant	2015	Orally active Factor Xa inhibitor. It is an anticoagulant that specifically, reversibly and directly inhibits the enzyme, Factor Xa, a clotting factor in the blood. Approved for indications for the prevention of stroke and systemic embolism (SE) in patients with non-valvular atrial fibrillation (NVAF) and for the treatment and prevention of recurrent venous thromboembolism (VTE) (deep vein thrombosis (DVT) and pulmonary embolism (PE))
Efient	*(prasugrel)*	Antiplatelet agent	2009	Inhibits platelet aggregation and reduces the incidence of artery stenosis and occlusion
Olmetec	*(olmesartan)*	Antihypertensive agent	2002	*Olmetec*: *Olmesartan*
Olmetec Plus			2005	*Olmetec Plus*: A combination drug of *olmesartan medoxomil* and *hydrochlorothiazide* (diuretic)
Sevikar			2009	*Sevikar*: A combination drug of *olmesartan medoxomil* and *amlodipine besylate* (calcium channel blocker)
Sevikar HCT			2010	*Sevikar HCT*: A triple combination drug of *olmesartan medoxomil*, *hydrochlorothiazide*, and *amlodipine besylate*

Generic Business

Brand Name (Efficacy)	
Japan Daiichi Sankyo Espha Co., Ltd.	
Olmesartan	(Antihypertensive agent)
Silodosin	(Treatment for dysuria)
Gefitinib	(Treatment for malignant tumors)
Bicalutamide	(Prostate cancer treatment)
Tamoxifen	(Anti-breast cancer agent)

Vaccine Business

Brand Name	
Japan Daiichi Sankyo Co., Ltd.	
Influenza HA Vaccine	
Live Attenuated Measles-Rubella Combined Vaccine	
Live Attenuated Mumps Vaccine	
Squarekids	(4-valent combination vaccine for the prevention of pertussis, diphtheria, tetanus, and poliomyelitis (polio))
H5N1 Influenza Vaccines	

OTC Related Business

Brand Name	
Japan Daiichi Sankyo Healthcare Co., Ltd.	
Lulu	(Combination cold remedy)
Loxonin S	(Antipyretic analgesic / topical anti-inflammatory analgesic)
Transino	(Melasma improvement / treatment against spots and freckles)
MINON	(Skincare)
Breath Labo	(Oral care)
Clean Dental	(Oral care)

Injectafer (US)

LIXIANA (Europe)

Silodosin (Generic Drugs)

MINON series (OTC Related Drugs)

Enhertu (US)

Gefitinib (Generic Drugs)

Lulu (OTC Related Drugs)

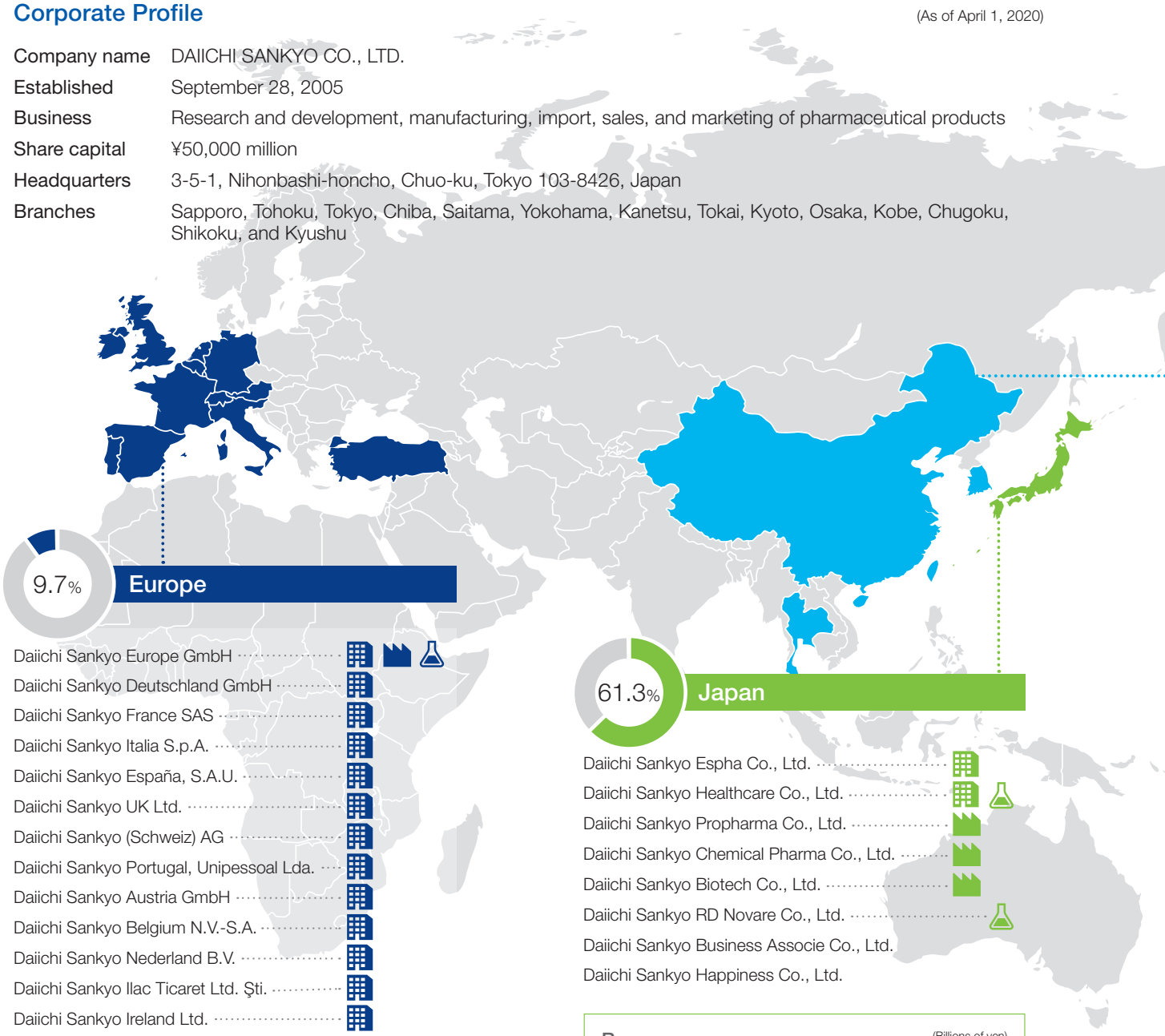
Influenza HA Vaccine (Vaccines)

Corporate Profile / Main Group Companies

Corporate Profile

(As of April 1, 2020)

Company name	DAIICHI SANKYO CO., LTD.
Established	September 28, 2005
Business	Research and development, manufacturing, import, sales, and marketing of pharmaceutical products
Share capital	¥50,000 million
Headquarters	3-5-1, Nihonbashi-honcho, Chuo-ku, Tokyo 103-8426, Japan
Branches	Sapporo, Tohoku, Tokyo, Chiba, Saitama, Yokohama, Kanetsu, Tokai, Kyoto, Osaka, Kobe, Chugoku, Shikoku, and Kyushu



9.7% Europe

- Daiichi Sankyo Europe GmbH
- Daiichi Sankyo Deutschland GmbH
- Daiichi Sankyo France SAS
- Daiichi Sankyo Italia S.p.A.
- Daiichi Sankyo España, S.A.U.
- Daiichi Sankyo UK Ltd.
- Daiichi Sankyo (Schweiz) AG
- Daiichi Sankyo Portugal, Unipessoal Lda.
- Daiichi Sankyo Austria GmbH
- Daiichi Sankyo Belgium N.V.-S.A.
- Daiichi Sankyo Nederland B.V.
- Daiichi Sankyo Ilac Ticaret Ltd. Şti.
- Daiichi Sankyo Ireland Ltd.
- Daiichi Sankyo Altkirch Sarl

Revenue (Billions of yen)

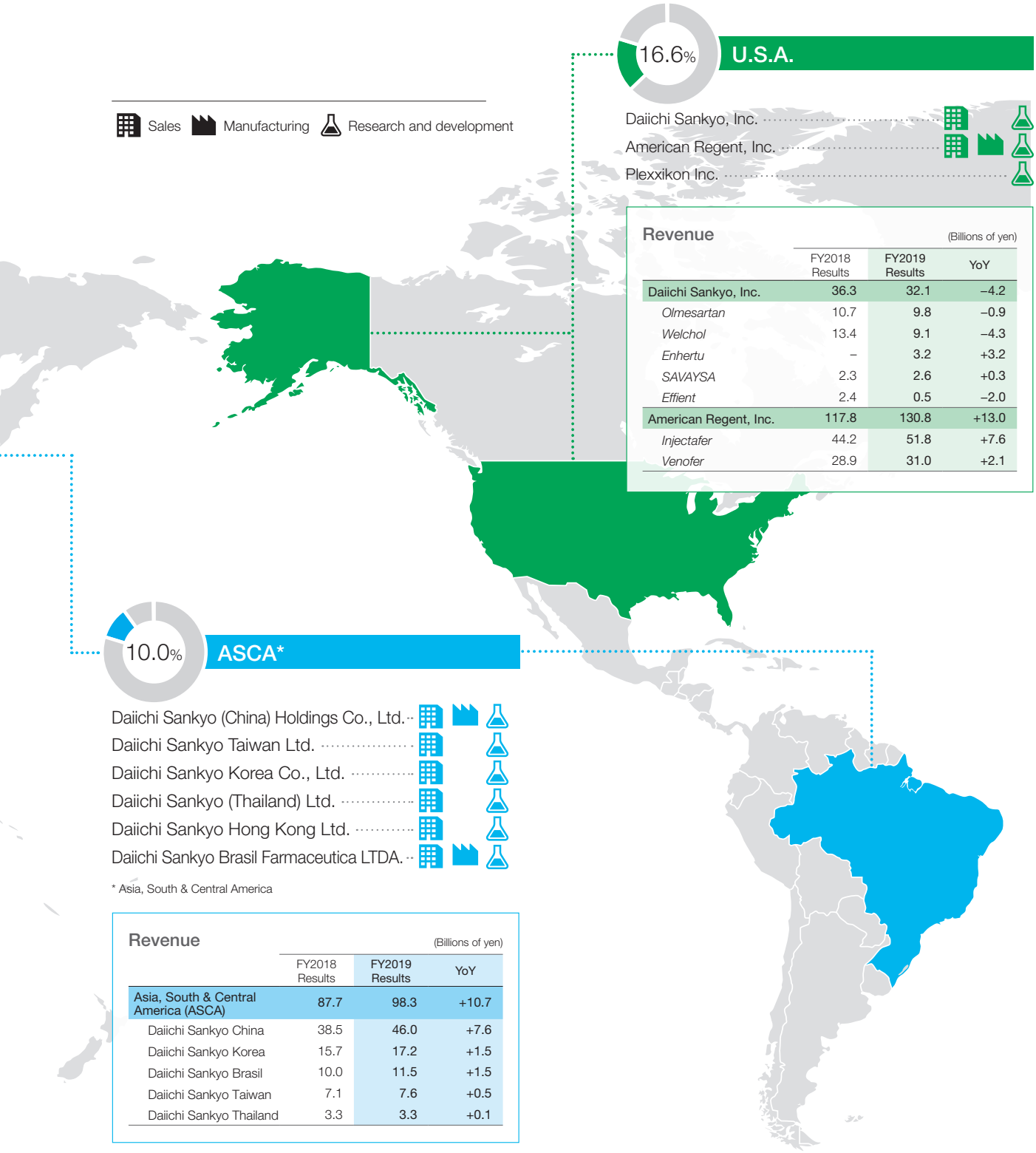
	FY2018 Results	FY2019 Results	YoY
Daiichi Sankyo Europe	88.6	95.5	+6.9
LIXIANA	45.8	61.7	+15.9
Olmesartan	27.4	24.6	–2.8
Efient	5.7	2.5	–3.2

61.3% Japan

- Daiichi Sankyo Espha Co., Ltd.
- Daiichi Sankyo Healthcare Co., Ltd.
- Daiichi Sankyo Propharma Co., Ltd.
- Daiichi Sankyo Chemical Pharma Co., Ltd.
- Daiichi Sankyo Biotech Co., Ltd.
- Daiichi Sankyo RD Novare Co., Ltd.
- Daiichi Sankyo Business Associe Co., Ltd.
- Daiichi Sankyo Happiness Co., Ltd.

Revenue (Billions of yen)

	FY2018 Results	FY2019 Results	YoY
Domestic Prescription Drug and Vaccine Business	523.3	533.5	+10.2
LIXIANA	64.9	83.0	+18.1
NEXIUM	78.3	79.8	+1.5
Memary	50.2	50.5	+0.3
PRALIA	27.4	30.9	+3.6
TENELIA	25.3	24.7	–0.6
Loxonin	30.5	28.3	–2.2
Inavir	18.2	19.3	+1.1
RANMARK	16.4	17.9	+1.5
Efient	13.9	14.0	+0.1
Rezaltas	15.5	14.6	–0.9
CANALIA	9.2	12.8	+3.6
VIMPAT	6.6	11.2	+4.6
Omnipaque	12.0	10.3	–1.7
Olmetec	14.9	11.7	–3.2
Tarlige	–	8.0	+8.0
Daiichi Sankyo Healthcare (OTC Related)	66.4	68.5	+2.1



* Asia, South & Central America

Revenue (Billions of yen)

	FY2018 Results	FY2019 Results	YoY
Daiichi Sankyo, Inc.	36.3	32.1	–4.2
Olmesartan	10.7	9.8	–0.9
Welchol	13.4	9.1	–4.3
Enhertu	–	3.2	+3.2
SAVAYSA	2.3	2.6	+0.3
Effient	2.4	0.5	–2.0
American Regent, Inc.	117.8	130.8	+13.0
Injectafer	44.2	51.8	+7.6
Venofer	28.9	31.0	+2.1

Revenue (Billions of yen)

	FY2018 Results	FY2019 Results	YoY
Asia, South & Central America (ASCA)	87.7	98.3	+10.7
Daiichi Sankyo China	38.5	46.0	+7.6
Daiichi Sankyo Korea	15.7	17.2	+1.5
Daiichi Sankyo Brasil	10.0	11.5	+1.5
Daiichi Sankyo Taiwan	7.1	7.6	+0.5
Daiichi Sankyo Thailand	3.3	3.3	+0.1

Number of Bases

(As of March 31, 2020)

Group companies
49

Number of countries with bases
24

R&D bases
14 bases in **8** countries

Production bases
14 bases in **6** countries

ESG (Environmental, Social, and Governance) Data

Environmental

Promoting Environmental Management

Aspect	Classification	Item	Scope*1	Unit	FY2017	FY2018	FY2019
CO_2	CO_2 emissions		In Japan	t-CO_2	169,664	159,406	☑ 152,486
			Global	t-CO_2	228,557	214,643	☑ 207,035
	CO_2 emissions by Greenhouse Gas Protocol	Scope 1	In Japan	t-CO_2	84,283	79,505	☑ 78,597
			Global	t-CO_2	108,106	100,503	☑ 100,411
		Scope 2	In Japan	t-CO_2	85,382	79,901	☑ 73,889
			Global	t-CO_2	120,451	114,140	☑ 106,624
Water resources	Water used		In Japan	1,000m^3	10,311	9,867	☑ 8,894
			Global	1,000m^3	10,828	10,393	9,356
	Wastewater		In Japan	1,000m^3	9,856	9,476	☑ 8,797
			Global	1,000m^3	10,283	9,809	9,111
	Effective water usage volume*2		Global	1,000m^3	544	584	245
Waste	Waste generated		In Japan	t	14,682	14,684	☑ 17,371
			Global	t	16,747	17,044	19,315
	Final disposal rate		In Japan	%	0.43	0.51	0.29
	Amount of office paper consumed		In Japan	Million sheets	53.60	51.09	43.20

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Social

Promoting Compliance Management

Aspect	Classification	Item	Scope*1	Unit	FY2017	FY2018	FY2019
Compliance	Training on Daiichi Sankyo Group Individual Conduct Principles	Number of employees participating in e-learning and group training	In Japan	Persons	—	9,248	9,070
			Outside Japan	Persons	—	Approx. 6,100	Approx. 3,140
	Compliance training based on Corporate Integrity Agreement*3 in the United States		In Japan	Persons	147	170	220
			Outside Japan	Persons	2,074	1,837	1,936
	GVP*4 compliance training	Ratio of GVP-related employees undergoing training	Non-consolidated	%	100	100	100
		Ratio of all employees (excluding GVP-related employees) undergoing training	Non-consolidated	Persons	5,562	5,682	5,822
	Development-related training (including GCP)	Aggregate number of e-learning programs and group training sessions	Non-consolidated	Times	93	86	92

Compliance Data for FY2019 (Global)

- Number of allegations received: 222
- Categories of allegations: Financial and competitive integrity, Workplace standards, Marketing and promotional activities, Conflicts of interest, Other
- Measures: Out of all allegations received, we appropriately investigated cases that we determined as requiring investigation. For cases that were recognized as compliance violations among them, we took necessary disciplinary action including dismissing the violators.

Note: The results included in this information for FY2019 were calculated by each DS affiliate based on the individual criteria, as impacted by regional differences in laws, employment practices, and local policies & procedures. Accordingly, this information has been aggregated and the discrepancies impact the overall meaning and categorization of the figures.

The Company updates its corporate website with other ESG data.
https://www.daiichisankyo.com/sustainability/performance-reports/esg/

Mutual Growth of Employees and the Company

Aspect	Classification	Item	Scope*1		Unit	FY2017	FY2018	FY2019
Employees	Number of employees by region*5		In Japan		Persons	8,765	8,865	☑ 8,754
			Outside Japan		Persons	5,681	6,022	☑ 6,594
			Global		Persons	14,446	14,887	☑ 15,348
	Employee data*5	Number of male employees	In Japan		Persons	6,663	6,695	☑ 6,608
			Outside Japan		Persons	2,888	3,076	☑ 3,232
		Number of female employees	In Japan		Persons	2,102	2,170	☑ 2,146
			Outside Japan		Persons	2,793	2,946	☑ 3,362
		Average years of service	In Japan	Male	Years	19.9	20.1	20.4
				Female	Years	15.8	15.5	15.2
				All	Years	18.9	19.0	19.1
	Diversity*5	Percentage of female employees	In Japan		%	24.0	24.5	☑ 24.5
			Global		%	33.9	34.4	☑ 35.9
		Percentage of women in managerial positions	In Japan		%	6.0	6.5	☑ 7.3
			Global		%	21.3	22.5	☑ 25.3
		Percentage of women in senior managerial positions*6	In Japan		%	—	2.1	1.7
			Global		%	—	22.5	22.8
		Employment rate of people with physical or mental disabilities	In Japan		%	2.45	2.43	☑ 2.33
	Human resources development	Number of company-wide award winners*7	In Japan		Persons	41	44	60
		Employee turnover rate*8	Global		%	6.0	6.0	5.3

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Enhancement of Communication with Stakeholders

Aspect	Classification	Item	Scope*1	Unit	FY2017	FY2018	FY2019
Patients and medical professionals	Evaluation of corporate stance and MR activities	MRs rated (all responding physicians)*9	In Japan	Rank	First	First	First
		MRs rated (hospital doctors)*9	In Japan	Rank	First	First	First
		MRs rated (private-practice physicians)*9	In Japan	Rank	First	First	First
	Number of inquiries our Medical Information Center received from outside the Company (pharmaceutical products)		In Japan	1,000 cases	101	89	90
Shareholders	Dividends per share	Interim	Non-consolidated	Yen	35	35	35
		Year-end	Non-consolidated	Yen	35	35	35
		Total	Non-consolidated	Yen	70	70	70

Improvement of Access to Healthcare

Aspect	Classification	Item	Scope	Unit	FY2017	FY2018	FY2019
Social	Number of mobile healthcare field clinics	Number of activities (January-December)	In Tanzania/ Myanmar	Times	521	1,090	28
	Number of development projects conducted through the GHIT Fund*10		In Japan	Cases	5	4	4

Social Contribution Activities

Aspect	Classification	Item	Scope*1	Unit	FY2017	FY2018	FY2019
Social	Amount of contributions		Non-consolidated	Millions of yen	1,671	1,532	1,396
	Number of visitors to our laboratories/factories		In Japan	Persons	1,100	849	667
	Number of visitors to Kusuri Museum		Non-consolidated	Persons	22,137	24,362	20,568
Employees	Acquisition of volunteer leave		In Japan	Persons	18	17	16

Governance

Aspect	Classification	Item	Scope	Unit	FY2017	FY2018	FY2019
Governance	Structure of Board of Directors	Number of directors	Non-consolidated	Persons	9	9	9
		Number of outside directors	Non-consolidated	Persons	4	4	4
		Number of female directors	Non-consolidated	Persons	0	1	1
	Structure of Audit & Supervisory Board	Number of Audit & Supervisory Board members	Non-consolidated	Persons	5	5	5
		Number of Outside Audit & Supervisory Board members	Non-consolidated	Persons	3	3	3
		Number of Outside Audit & Supervisory Board members (female)	Non-consolidated	Persons	2	2	2
	Remuneration of Directors	Total	Non-consolidated	Millions of yen	609	650	683
	Remuneration of Audit & Supervisory Board members	Total	Non-consolidated	Millions of yen	117	120	120

*1 In Japan: Daiichi Sankyo (non-consolidated) and consolidated subsidiaries in Japan. Outside Japan: consolidated overseas subsidiaries. Global: Daiichi Sankyo (non-consolidated) and all its consolidated subsidiaries.
*2 Water intake-Water waste
*3 Corporate Integrity Agreement: An agreement regarding legal compliance
*4 Good Vigilance Practice: Standard for post-marketing safety control of pharmaceuticals
*5 Number of employees as of the settlement date of each Group company (as of March 31, 2020 for FY2019). However, employees accepted from outside the Group to the Group are excluded. Figures for the average years of service are current as of April 1 of the following fiscal year.
*6 Percentage of women who are in positions equivalent to division heads or higher positions
*7 Total number of employees who received prize from culture-building and achievement awards
*8 Rate of employees retiring for personal reasons
*9 Conducted by ANTERIO Inc. (FY2017–FY2019)
*10 Global Health Innovative Technology Fund

Independent Assurance Report for Environmental and Social Indicators

Independent Assurance Report

To the President and CEO of Daiichi Sankyo Co, Ltd.

We were engaged by Daiichi Sankyo Co., Ltd. (the "Company") to undertake a limited assurance engagement of the environmental and social performance indicators marked with ☑ (the "Indicators") for the period from April 1, 2019 to March 31, 2020 included in its Value Report 2020 (the "Report") for the fiscal year ended March 31, 2020.

The Company's Responsibility

The Company is responsible for the preparation of the Indicators in accordance with its own reporting criteria (the "Company's reporting criteria"), as described in the Report.

Our Responsibility

Our responsibility is to express a limited assurance conclusion on the Indicators based on the procedures we have performed. We conducted our engagement in accordance with the 'International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements other than Audits or Reviews of Historical Financial Information' and the 'ISAE 3410, Assurance Engagements on Greenhouse Gas Statements' issued by the International Auditing and Assurance Standards Board. The limited assurance engagement consisted of making inquiries, primarily of persons responsible for the preparation of information presented in the Report, and applying analytical and other procedures, and the procedures performed vary in nature from, and are less in extent than for, a reasonable assurance engagement. The level of assurance provided is thus not as high as that provided by a reasonable assurance engagement. Our assurance procedures included:

- Interviewing the Company's responsible personnel to obtain an understanding of its policy for preparing the Report and reviewing the Company's reporting criteria.
- Inquiring about the design of the systems and methods used to collect and process the Indicators.
- Performing analytical procedures on the Indicators.
- Examining, on a test basis, evidence supporting the generation, aggregation and reporting of the Indicators in conformity with the Company's reporting criteria, and recalculating the Indicators.
- Making inquiries and reviewing materials including documented evidence of Daiichi Sankyo Biotech Co., Ltd.'s Kitamoto factory selected on the basis of a risk analysis, as alternative procedures to a site visit.
- Evaluating the overall presentation of the Indicators.

Conclusion

Based on the procedures performed, as described above, nothing has come to our attention that causes us to believe that the Indicators in the Report are not prepared, in all material respects, in accordance with the Company's reporting criteria as described in the Report.

Our Independence and Quality Control

We have complied with the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which includes independence and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior. In accordance with International Standard on Quality Control 1, we maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

KPMG AZSA Sustainability Co., Ltd.

KPMG AZSA Sustainability Co., Ltd.
Tokyo, Japan
October 19, 2020

Inclusion in ESG Indices in Reflection of External CSR and ESG Evaluations

To address sustainability issues, we pursue ongoing improvements to our corporate values. These efforts have been highly appreciated, resulting in the Group being selected for the following ESG indices as of September 2020.

Selected for the "World Index" in the pharmaceutical sector for three consecutive years

The Dow Jones Sustainability Indices(DJSI), managed by S & P Global are ESG indices evaluating the sustainability of a company and provides important criterion for investors to select investment targets.

The Company has been included in the DJSI World Index for three consecutive years and the DJSI Asia/Pacific for ten consecutive years. The Group was selected for the DJSI World Index as the first Japanese corporation in the pharmaceutical sector in 2017.

Items that received the highest appraisal in the pharmaceutical sector

Economic aspects	· Marketing Practice
Social aspects	· Corporate citizenship and social contribution · Health Outcome Contribution · Strategy to improve Access to Drugs

Selected consecutively for twelve years/four years

The FTSE4Good Index Series and the FTSE Blossom Japan Index are indices that reflect the performance of corporations that excel in environmental, society, and governance (ESG) factors, established by FTSE Russell, a global index provider and wholly-owned subsidiary of the London Stock Exchange.

The Company has been selected for twelve consecutive years as a component of the FTSE4Good Global Index from 2009 and for four consecutive years as a component of the FTSE Blossom Japan Index from 2017.

This index is one of four indices selected by the Government Pension Investment Fund (GPIF) as an ESG Index in Japanese stocks.

Selected consecutively for five years

The SNAM Sustainability Index is an SRI fund managed by Sompo Japan Nipponkoa Asset Management Co., Ltd., aimed at pension funds and institutional investors that invest in a wide range of companies highly rated in terms of ESG factors (environment, society, governance). The Company has been included in this index for five consecutive years.

Selected consecutively for three years

The MSCI Japan Empowering Women (WIN) Select Index is an index of MSCI in the U.S. that assesses gender diversity in corporations such as the percentage of females among new recruits, employees, average work years and the percentage of female executives, and comprises corporations that excel in these factors. The Company has been included in this index for three consecutive years from 2018. This index is one of four indices selected by the Government Pension Investment Fund (GPIF) as an ESG Index in Japanese stocks.

Selected consecutively for two years

The MSCI Japan ESG Select Leaders Index is an index of MSCI in the U.S. that comprises corporations among corporations included in the MSCI Japan IMI Top 700 Index that are highly assessed in ESG (environment, society, and governance) evaluations.

The Company has been included in this index for two consecutive years from 2019. This index is one of four indices selected by the Government Pension Investment Fund (GPIF) as an ESG Index in Japanese stocks.

(As of September, 2020)

Shareholders' Information

Common Stock (As of March 31, 2020)

Number of shares authorized	2,800,000,000
Number of shares issued	709,011,343
Number of shareholders	66,625

Share Registrar

Mitsubishi UFJ Trust and Banking Corporation

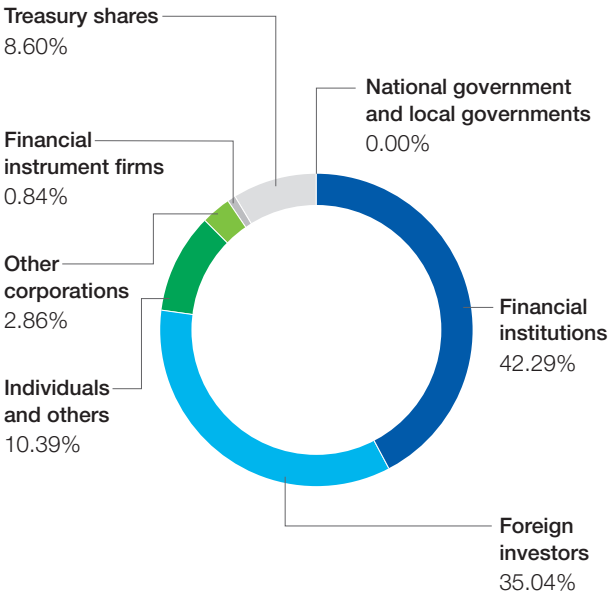
Mailing address and telephone number:
Mitsubishi UFJ Trust and Banking Corporation
Corporate Agency Division
Shin-TOKYO Post Office post office box No.29,
137-8081, Japan
Tel: 0120-232-711 (toll free within Japan)

Major Shareholders (As of March 31, 2020)

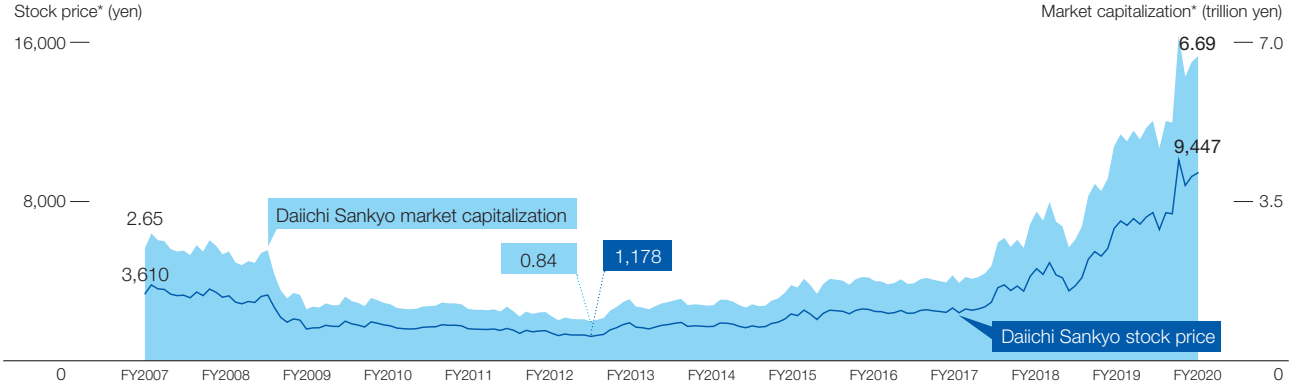
Name	Number of Shares Held (Thousands of shares)	Ratio (%)
The Master Trust Bank of Japan, Ltd. (trust account)	67,527	10.42
JP MORGAN CHASE BANK 385632	64,833	10.00
Japan Trustee Services Bank, Ltd. (trust account)	55,185	8.52
Nippon Life Insurance Company	35,776	5.52
SSBTC CLIENT OMNIBUS ACCOUNT	23,873	3.68
Trust & Custody Services Bank, Ltd. as trustee for Mizuho Bank, Ltd. Retirement Benefit Trust Account re-entrusted by Mizuho Trust and Banking Co., Ltd.	14,402	2.22
Japan Trustee Services Bank, Ltd. (trust account 7)	13,527	2.09
STATE STREET BANK AND TRUST COMPANY 505001	12,047	1.86
Japan Trustee Services Bank, Ltd. (trust account 5)	11,657	1.80
The Shizuoka Bank, Ltd.	11,390	1.76

Notes: 1. The Company holds 60,943,592 treasury shares, which are excluded from the above list.
2. Treasury shares are not included in the computing of equity stake.

Distribution of Shareholders (As of March 31, 2020)



Market Capitalization and Changes in Stock Price



* Stock prices and market capitalization are based on values for the end of March 2007 to the end of August 2020. Market capitalization includes treasury shares.

External Evaluations (as of September 30,2020)

“Eruboshi” Certification Mark

“Kurumin” Certification Mark

Logo given to Certified Health and Productivity Management Organization (White500)

MSCI Japan Empowering Women Select Index

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https://www.daiichisankyo.com/

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