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Securities Code: 4568

<https://www.daiichisankyo.com/>

## I. Basic Views of Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information

### 1. Basic Views

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

#### **Corporate Governance Structure**

- To clarify Directors' management responsibility and reinforce their oversight of management and the conduct of operations, their terms of office are set at one year, and four out of our nine Directors are Outside Directors. Since June 2020, an Outside Director has been appointed as chairperson of the Board of Directors (the Board).
- To ensure management transparency, nomination of candidates for Directors and Corporate Officers, succession plan for CEO and compensation thereof are deliberated on by the Nomination Committee and the Compensation Committee, respectively, which are established as voluntary committees.
- Both Committees are composed of four Outside Directors, and one Outside Audit & Supervisory Board Member participates as an observer.
- For audits of legal compliance and soundness of management, the Company has adopted an Audit & Supervisory Board system and established Audit & Supervisory Board comprising five Audit & Supervisory Board Members, including three Outside Audit & Supervisory Board Members.
- The Company prescribes specific criteria on the judgment of independence of Outside Directors and Outside Audit & Supervisory Board Members and basic matters regarding execution of duties by Directors and Audit & Supervisory Board Members.
- Under the global management structure, the Executive Management Committee meeting with management unit heads as members is held as appropriate to deliberate on important matters related to the strategy, policy, and execution of group management, and to contribute to management decision-making.
- 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 organizations (secondary controls), and internal auditing encompassing monitoring carried out by the Internal Audit Department (tertiary controls).

## [Reason for not implementing each principle of the Corporate Governance Code]

The Company complies and implements all principle of the Corporate Governance Code.

## [Disclosure Based on the Principles of the Corporate Governance Code]

### **Principle 1.4 Policies Relating to the Reduction of Shares of Other Listed Companies as Cross-Shareholdings and Rationale for Exercise of Voting Rights**

The Company in principle shall not hold shares of other listed companies except for the case where it is assumed to contribute to increasing corporate value for the Company in connection with maintaining and strengthening long-term business relationships. The Company has successively sold these shares by comprehensively considering matters such as impact to the market. During fiscal 2021, we sold shares for approximately 1.8 billion yen (7 brands). For the shares of listed companies held, The Board regularly examines profitability and financial benefits of each individual company in reference to certain management indicators, capital cost and the like and reviews rationality of shareholding as appropriate by comprehensively considering their business strategy and business relations.

Concerning the exercise of voting rights on cross-shareholdings, we will check, in accordance with criteria for exercising voting rights established internally, whether the proposals will contribute to increasing the corporate value of the issuing company in the mid to long-term. Based on comprehensive consideration of such matters as non-financial side of the issuing company and contents of dialogue held with the issuing company, we will decide whether to approve or reject the proposal.

### **Principle 1.7 Related Party Transactions**

In addition to prescribing in the Directors Regulations the duty of care and the duty of fiduciary of Directors and conflict of interest transactions and competitive transactions, the Company also prescribes in The Board of Directors Regulations the requirement that the consent of the Board shall be received in relation to conflict of interest transactions and competitive transactions of Directors. Moreover, in the Audit Standard for Audit & Supervisory Board Members, it prescribes that Audit & Supervisory Board Members monitor and verify for the existence of violations of the duties of Directors with regard to conflict of interest transactions and competitive transactions.

Matters concerning transactions with major shareholders shall be considered to be “Important Matters Related to Company Management” as prescribed by the matters referred to the Board, and these matters shall require approval by the Board.

### **Supplementary Principle 2.4.1 Ensuring Diversity in Promotion to Core Human Resources**

The Company’s HR Management Philosophy, part of its system of philosophies, states that “We establish a robust processes for recruitment, selection and talent development and thereby attract, develop and retain the talent needed to run the business and also adapt to changing business needs and requirements.” In addition, considering that the acquisition of diverse talent and effective human resource management are sources of competitive advantage, the Company has set one of the core behaviors required for its employees as “Be Inclusive & Embrace Diversity” (understand and accept diversity in nationality, race, gender, and so forth), and aims to achieve mutual sustainable growth of with its employees.

In terms of a specific numerical target, the Company has set a KPI for percentage of female senior managerial employees as 30% globally by fiscal 2025.

In Japan, the Company has set a KPI of increasing the ratio of females in managerial positions\* to 15% or more by fiscal 2025 as a Plan of Action for General Employers under the Act on the Promotion of Female Participation and Career Advancement in the Workplace.

(\*The Company defines “managerial positions” as the persons in charge of a certain organization, who are responsible for the management of business performance and human resources, including heads of divisions, departments and groups.)

As initiatives to promote the active role of women, the Company is advancing wide-ranging efforts including developing female management candidates, supporting work-life balance, and fostering a positive workplace culture.

Going forward, we will promote our initiatives even further, aiming to create an employment environment in which female employees can build long-term careers and play active roles.

For further information, please visit our website shown below.

Materiality

[https://www.daiichisankyo.com/sustainability/our\\_approach/materiality/](https://www.daiichisankyo.com/sustainability/our_approach/materiality/)

ESG Data

<https://www.daiichisankyo.com/sustainability/performance-reports/esg/>

In recruiting, we strive to ensure optimal human resources regardless of nationality and genders, and also in promotion to managerial positions, we make appointments based on capability and performance, with no distinction for non-Japanese employees and employees hired from outside. The Company's management is based on its global management structure, and its Executive Management Committee meeting comprises members including non-Japanese and external hires, and achieve active discussion from diverse perspectives and decision-making.

For further information about our initiatives on Inclusion & Diversity, please visit our website shown below.

Inclusion & Diversity

[https://www.daiichisankyo.com/sustainability/our\\_workplace/inclusion\\_diversity/](https://www.daiichisankyo.com/sustainability/our_workplace/inclusion_diversity/)

### **Principle 2.6 Roles of Corporate Pension Fund as Asset Owner**

The Daiichi Sankyo Group (The Group)'s corporate pension fund has announced that it will accept the "Principles of "Responsible Institutional Investors" "Japanese Stewardship Code" as an institutional investor holding assets. The fund fulfills their stewardship responsibilities to investment trustees that outsource asset management and enhance corporate value and sustainability (mid to long term sustainability including ESG factors) through dialogue with investee companies. By doing so, the funds request that they will take actions to increase the mid to long term investment returns of the fund.

The Group has assigned persons dedicated to the fund, in charge of pension management and administration office respectively for the operation of the fund. The Group has also assigned appropriately qualified persons including executives of human resources and finance divisions of the Company as members of an asset management committee and a delegates committee. Delegates of the labor union also participate in the committees on behalf of the participants of the fund.

The fund has established basic policies to ensure safe and efficient asset management while maintaining robust risk management. The fund develops a strategic asset portfolio at Asset and Liability Management (ALM) while referring to opinions of external professionals. It has also regularly monitored the status of asset management by entrusted asset managers including initiatives of stewardship activities engaged by the asset managers.

In addition, the fund has striven to ensure that conflicts of interest which could arise between the Group and the beneficiaries are appropriately managed by having the delegates committee, the board and the auditors consisting of the same number of delegates elected by the employers and delegates elected through mutual election of the participants and regularly reporting the fund's financial condition, performance results, stewardship activities of entrusted asset managers and others to beneficiaries.

### **Principle 3.1**

#### **(i) Company objectives (e.g., business principles), business strategies and business plans)**

The corporate philosophy, visions and 5-year business plan are disclosed on the Company's corporate website. Please view this information at the following URL:

The Company's corporate website: [https://www.daiichisankyo.com/about\\_us/mission-strength/](https://www.daiichisankyo.com/about_us/mission-strength/)

#### **(ii) Basic views and guidelines on corporate governance**

(Basic views on corporate governance)

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

#### **Corporate Governance Structure**

- To clarify Directors' management responsibility and reinforce their oversight of management and the conduct of operations, their terms of office are set at one year, and four out of our nine Directors are Outside Directors. Since June 2020, an Outside Director has been appointed as chairperson of the Board.
- To ensure management transparency, nomination of candidates for Directors and Corporate Officers, succession plan for CEO and executive compensation system thereof are deliberated on by the Nomination Committee and the Compensation Committee, respectively, which are advisory bodies to the Board and are established as voluntary committees.
- Both Committees are composed of four Outside Directors, and one Outside Audit & Supervisory Board Member participates as an observer.
- For audits of legal compliance and soundness of management, the Company has adopted an Audit & Supervisory Board system and established Audit & Supervisory Board comprising five Audit & Supervisory Board Members, including three Outside Audit & Supervisory Board Members.
- The Company prescribes specific criteria on the judgment of independence of Outside Directors and Outside Audit & Supervisory Board Members and basic matters regarding execution of duties by Directors and Audit & Supervisory Board Members.
- Under the global management structure, the Executive Management Committee meeting with management unit heads as members is held as appropriate to deliberate on important matters related to the strategy, policy, and execution of group management, and to contribute to management decision-making.
- 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 organizations (secondary controls), and internal auditing encompassing monitoring carried out by the Internal Audit Department (tertiary controls).

(Basic guidelines on corporate governance)

While giving importance to the basic views on corporate governance, the Company shall understand and respect the gist and spirit of the Corporate Governance Code, and shall continue to make efforts to further improve corporate governance based on this code.

**(iii) Policies and Procedures in Determining the Compensation of Directors and Audit & Supervisory Board Members**

- Please refer to “Disclosure of Policy on Determining Compensation Amounts and Calculation Methods,” [Matters Related to Compensation to Directors] on II.1. Organizational Composition and Operation.

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

- Directors shall meet the requirement of being personnel of excellent character and insight who contribute to maximizing the corporate value of the Group.
- Directors shall meet the requirements of being appropriate persons with respect to term of office and age, and of being suitably competent of performing timely and accurate judgment, looking at the changes in the business environment while giving importance to the continuance of management policies, etc.
- Directors shall meet the requirements that they are the individuals with expertise, experience, and insight in one or more of the following fields: corporate management and management strategy, finance and accounting, science and technology, business strategy and marketing, global business, human resources and HR development, legal and risk management, sustainability and ESG, and DX and IT.
- Directors shall meet the requirements that there shall always be Outside Directors included to strengthen the decision-making and supervisory functions, based on various perspectives.
- It is required that Outside Directors have, in principle, no more than three concurrent positions as officers of listed companies, excluding the Company.
- The Company recognizes that ensuring the diversity of Directors particularly in terms of gender, nationality, race, etc. as well as incorporating diverse opinions into management are important for strengthening the decision-making and supervisory functions of the Board. The Company will continue to discuss the selection of candidates for Directors with such aspects in mind.
- When appointing the candidates for Directors, the Board shall appoint the candidates after they have been sufficiently deliberated by the Nomination Committee, of which Outside Directors form a majority.
- Directors should attend the Board Meetings unless there are unavoidable circumstances and maintain an attendance rate of at least 75% or more.
- Audit & Supervisory Board Members shall meet the requirement of whether they can fulfil their duties and ensure their independence from the representative directors, Directors, and corporate officers.
- When selecting the candidates for Audit & Supervisory Board Members, the Board shall select the candidates after they have been deliberated by the Nomination Committee, and agreed by Audit & Supervisory Board.
- Outside Directors and Outside Audit & Supervisory Board Members shall be confirmed to have no problems according to specific criteria on the judgment of independence.
- The selected candidates for Directors and Audit & Supervisory Board Members shall be proposed for appointments at General Meeting of Shareholders.
- Candidates for CEO shall be selected based on the succession plan and defined eligibility requirements, etc. that have been discussed at the Nomination Committee.
- Appointment of CEO (including reelection) shall be determined by resolution of the Board over a recommendation from the Nomination Committee that the Committee submits after sufficient deliberation.

**(v) Policies and Procedures for Dismissal of Directors and CEO**

- If any Director is found not meeting eligibility requirements or requirements for execution of duties defined in the Companies Act or the Directors Regulations, following deliberation at the Nomination Committee and the Board, General Meeting of Shareholders shall deem that it meets criteria for

dismissal of Directors, and resolve dismissal of such Director after the relevant proposal.

- Dismissal of CEO shall be called into account in light of the Companies Act, defined CEO eligibility requirements or requirements for execution of duties, and determined in the same manner as appointment, by resolution of the Board over a recommendation from the Nomination Committee that the Committee submits after sufficient deliberation.

**(vi) Disclosure of Reasons for Nomination of Candidates for Directors and Audit & Supervisory Board Members**

The Company shall disclose matters considered important for nomination of candidates for Directors and Audit & Supervisory Board Members, and career history and reasons for nomination of each of them in the Reference Documents for General Meeting of Shareholders.

**(vii) Disclosure of Reason for dismissal of CEO, Directors or Audit & Supervisory Board Members and CEO**

The Company shall disclose reasons for dismissal in the Reference Documents for General Meeting of Shareholders and others when the Company dismisses CEO, any Director or Audit & Supervisory Board Member during their terms of office.

For Convocation Notice of General Meeting of Shareholders,  
please visit the following URL: <https://www.daiichisankyo.com/investors/shareholders/meetings/>

**Supplementary Principle 3.1.3 Initiatives on Sustainability**

The Group defines ESG management as “management based on a long-term perspective that enhances both financial and non-financial value by reflecting ESG elements in business strategies,” and is implementing this management. Under ESG management, we newly established our 2030 Vision of being an “Innovative global healthcare company contributing to the sustainable development of society.” To realize our purpose of “Contribute to the enrichment of quality of life around the world,” the Group will leverage its strengths, “Science & Technology,” to provide innovative solutions and contribute to society.

<Identification of key issues (materiality) for sustainable growth>

The Company evaluated material issues based on two perspectives: “impact on the business of Daiichi Sankyo Group” and “expectations from society” which incorporates the ESG approach connected with non-financial value, and identified eight material issues. The Company also set long-term targets and KPI targets linked to the 5-year business plan.

In our value creation business model with “Science & Technology” as the source of competitive advantage, we recognize the important capitals, including human, intellectual, manufactured, and social and relationship capital. Materiality KPI targets are defined and disclosed as investments in or results of important capital.

• Materiality on Business

Creating innovative pharmaceuticals, Providing a stable supply of top-quality pharmaceutical products, Providing the highest quality medical information, and Improving access to healthcare

• Materiality on Business Foundations

Promoting compliance management, Corporate governance aimed at fulfilling our mission, Promoting the success and development of a diverse range of people who create our competitive advantages, and Promoting environmental management

The Company strives to disclose ESG-related information through its Integration report (Value Report), corporate website, responses to ESG research institutions, and ESG meetings.

Daiichi Sankyo Value Creation Process

[https://www.daiichisankyo.com/sustainability/our\\_approach/process/](https://www.daiichisankyo.com/sustainability/our_approach/process/)

Materiality

[https://www.daiichisankyo.com/sustainability/our\\_approach/materiality/](https://www.daiichisankyo.com/sustainability/our_approach/materiality/)

Value Report

[https://www.daiichisankyo.com/investors/library/annual\\_report/](https://www.daiichisankyo.com/investors/library/annual_report/)

<Impact on the Company's business activities and revenue, etc. from risks and earnings opportunities related to climate change>

In achieving sustainable business and growth, the Daiichi Sankyo Group recognizes that the preservation of the global environment, which is the basis of life activity and people's lifestyles, is important management issue. Under the 5-year business plan, (fiscal 2021-fiscal 2025), the Company has established three long-term targets for 2050: carbon neutral, 100% recycling, and minimize environmental risk. The Company will take on various initiative to reduce environmental burden throughout the entire value chain, from research and development to sales and contribute to society and the environment. Daiichi Sankyo endorses the recommendations of the Task Force on Climate-related Financial Disclosure (TCFD), which aims to encourage companies to disclose information on the "risks and opportunities" of business activities affected by climate change, and discloses relevant information including scenario analysis. The results of the scenario analysis are also reflected in the Environmental Management Target (fiscal 2021-fiscal 2025). Furthermore, in order to further enhance the disclosure of climate change-related information, we are also working to identify the "risks and opportunities" related to climate change and assess business impacts based on the TCFD recommendations, which were revised in October 2021.

Promotion of Environmental Management

[https://www.daiichisankyo.com/sustainability/the\\_environment/](https://www.daiichisankyo.com/sustainability/the_environment/)

Response to TCFD

[https://www.daiichisankyo.com/sustainability/the\\_environment/climate\\_strategy/](https://www.daiichisankyo.com/sustainability/the_environment/climate_strategy/)

#### **Supplementary Principles 4.1.1 Roles and Responsibilities of the Board (1)\_**

The Company prescribes in the Board of Directors Regulations the matters referred to, and reported to the Board by the management team. In the Daiichi Sankyo Group Management Committee Policy, and the approval policy, the decision-making scope entrusted to the management team is clearly prescribed. Important matters related to management (business plans, personnel and organization, financing, etc.) shall be referred to the Board, and the decision of other business execution allowable under laws and regulations shall be ultimately entrusted to CEO and Representative Director, President.

#### **Principle 4.8 Roles and Responsibilities of Independent Outside Directors**

Aiming to strengthen the decision-making function of the Board and the supervising function based on various perspectives, the Company prescribes in the Directors Regulations that Directors must include Outside Directors whose independence from the Company has been secured. Currently four of nine Directors are appointed as Independent Outside Directors, and they provide proactive opinions and pertinent observations in the Board Meetings.

#### **Principle 4.9 Independence Standards for Outside Directors**

Concerning the independence of the Outside Directors, the Company judges this independence based on the precondition that the independence criteria set by the Tokyo Stock Exchange and the Company's criteria for independence of Outside Director are satisfied and on the viewpoint of whether the Company

can expect the proactive opinions and pertinent observations about issues concerning the Company's business.

In line with the criteria for independence of Outside Director prescribed by the Directors Regulations, the Company nominates Outside Directors of excellent character and insight who possess specialist knowledge. The Company's criteria for independence of Outside Director and Outside Audit & Supervisory Board Member is also stated in the Internet Disclosure Accompanying the CONVOCATION NOTICE OF THE 17TH ORDINARY GENERAL MEETING OF SHAREHOLDERS (Voluntary Disclosure).

#### **Supplementary Principle 4.10.1 Approach, Authority, and Roles, etc. regarding Independence of the Composition of the Nomination Committee and the Compensation Committee**

The Company has established the Nomination Committee and the Compensation Committee as voluntary committees that function as advisory bodies for the Board. The committees deliberate upon the selection of candidates for Directors and Corporate Officers, the CEO succession plan, and remuneration for executives. Both Committees are composed of four Outside Directors (one Outside Audit & Supervisory Board Member participates as an observer), and chaired by Outside Directors. At the both Committees, discussions, decision-making, and supervision sufficiently reflect external viewpoints, and the Committees reports to the Board. The compositions and roles of both Committees and the numbers of their meetings and agenda items for each fiscal year are disclosed in the Convocation Notice of the Company's Ordinary General Meeting of Shareholders, its Corporate Governance Report, and its Value Report.

Value Report

[https://www.daiichisankyo.com/investors/library/annual\\_report/](https://www.daiichisankyo.com/investors/library/annual_report/)

Convocation Notice of General Meeting of Shareholders

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

#### **Supplementary Principle 4.11.1 View on Appropriate Balance between Knowledge, Experience and Skills of the Board as a Whole, and on Diversity and Appropriate Board Size**

The Company prescribes the requirements for Directors in the Directors Regulations. Among the current nine Directors, four are Outside Directors who are not engaged in business execution, and we believe that the composition of the Board is well balanced.

The Company considers it important to secure diversity of Directors, including gender, internationality and race, etc. and embrace various opinions to the management to reinforce the decision-making function of the Board and the supervisory function. The Company will continue to consider nominating candidates of Directors based on this perspective.

In light of the Company's mid- to long-term management direction and business strategy, it has identified the skills (knowledge, experience, and abilities) that the Board of the Company should have in order to properly exercise its decision-making and management oversight function. The current status of skills possessed by all Directors and Audit & Supervisory Board Members are listed in a skill matrix, which is presented in the Convocation Notice of General Meeting of Shareholders and Value Report, along with the policies and procedures for appointment of Directors. The three Outside Directors have management experience at other companies.

For information about the policies and procedures for appointment of Directors, please refer to "Principle 3.1 (iv) Policies and Procedures for Appointment of Directors, Audit & Supervisory Board Members and CEO" above, and to the Convocation Notice of General Meeting of Shareholders. For information about the skill matrix, please refer to the Convocation Notice of General Meeting of Shareholders and Value Report.



Value Report

[https://www.daiichisankyo.com/investors/library/annual\\_report/](https://www.daiichisankyo.com/investors/library/annual_report/)

Convocation Notice of General Meeting of Shareholders

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

#### **Supplementary Principle 4.11.2 Concurrent Positions of Directors and Audit & Supervisory Board Members Held at Other Listed Companies**

For matters concerning the fulfillment of duties of Directors and Audit & Supervisory Board Members, the Company prescribes these duties, the required mindset, etc. in the Directors Regulations and the Audit Standard for Audit & Supervisory Board Members. With respect to concurrent positions as Director or Audit & Supervisory Board Member held at another company, Directors and Audit & Supervisory Board Members excluding Outside Directors and Outside Audit & Supervisory Board Members, in principle shall not hold concurrent positions (Directors, Audit & Supervisory Board Members or Executive/Corporate Officer) held at listed companies outside the Group. It is required that Outside Directors have, in principle, no more than three concurrent positions as officers of listed companies, excluding the Company. Moreover, if Outside Directors and Outside Audit & Supervisory Board Members intend to accept a request to assume an appointment as a Director or an Audit & Supervisory Board Member at a listed company, Outside Directors are required to contact the Chairperson of the Board, the Chairperson and the President this beforehand and Outside Audit & Supervisory Board Members are required to contact the Chairperson of Audit & Supervisory Board this beforehand.

As of the date of this document, there are no cases of concurrent positions having an influence on the Company's business operations.

The details on the material concurrent positions of each Director and Audit & Supervisory Board Member are disclosed each year in the "Convocation Notice of General Meeting of Shareholders" and the "Annual Securities Report."

Please view this information at the following URL:

Convocation Notice of General Meeting of Shareholders :

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

Annual Securities Report (Japanese report):

[https://www.daiichisankyo.co.jp/investors/library/securities\\_reports/](https://www.daiichisankyo.co.jp/investors/library/securities_reports/)

#### **Supplementary Principle 4.11.3 Ensuring Effectiveness of the Board as a Whole**

The Company utilizes the board evaluation in order for the Board and Directors themselves to assess their current status and identify issues to be addressed, continuously making efforts to improve the functions and effectiveness of its the Board.

The Company has conducted board evaluation of the Board every fiscal year and addressed the issues identified for improvement through the board evaluation. In the subsequent board evaluation, the Company assesses the latest status and confirms the status of improvement from the previous fiscal year.

In fiscal 2021, the Company conducted a board evaluation by a third-party organization for the first time.

<Implementation method of the board evaluation for fiscal 2021>

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

#### Implementation method of the questionnaire

The Company determined a set of questions for evaluation relating to the effectiveness of the Board as a whole and Directors themselves, 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. For fiscal 2021, we added some questions based on advice from the third- party organization, and conducted the questionnaire.

The major evaluation items in the questionnaire are as follows:

- (1) Roles and responsibilities of the Board
- (2) Operation of the Board
- (3) Composition of the Board
- (4) Functions of the Nomination Committee and the Compensation Committee
- (5) Issues and matters for improvement regarding effectiveness of the Board
- (6) Resolution of issues identified in the previous fiscal year’s board evaluation, and improvement measures

#### Implementation method of the interview

For fiscal 2021, based on the contents of the answered questionnaire by each Director/Audit & Supervisory Board Member, individual interviews where anonymity is ensured were conducted by the third-party organization.

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

As the result of the Board Evaluation for fiscal 2021, the third-party concluded that in terms of its roles, responsibilities, operation and composition, the Board of the Company, as well as the Nomination Committee and the Compensation Committee, which are advisory bodies to the Board, are functioning appropriately, and that the effectiveness of the Board as a whole has been ensured and is functioning at a high level.

In addition, the Company confirmed that improvements are being made in (1) through (4) below, which were identified as items that need further improvement in the evaluation of the previous fiscal year, with the following efforts.

- (1) Increased efforts to aim to ensure Corporate Governance most suitable for the Company
  - The board evaluation by the third-party organization was conducted and considerations were made concerning analyses and evaluation, identifying of issues, and improvement measures for further improvement for the effectiveness of the Board.
  - The optimal structure of the Board of the Company were discussed mainly by the Nomination Committee, factoring into the Skill Matrix, requirements for executive personnel , and revised Corporate Governance Code.
- (2) Enhancement of the Board’ oversight functions for the oncology business and international business
  - Deliberation and reports concerning the oncology business and international business, as well as management on a global scale, were made.
- (3) Further enhancement of discussions at the Board
  - Regarding topics such as risk management, business investments and compliance activities, appropriate materials and explanations were given to the Board members as needed for full discussions.
- (4) Further enhancement of providing information to Outside Directors and Outside Audit & Supervisory Board Members for enhancing their understandings.
  - Forums for discussion other than the Board Meetings were set up for multiple cases.
  - Implementation of initiatives as follows for enhancing outside executives’ understanding of the Company’s business: Briefing to Outside Directors and Outside Audit & Supervisory Board

Members on the agenda items of each of the Board Meeting in advance, and outside executives' attendance to the Executive Management Committee meeting as observers.

<Priority measures for fiscal 2022>

Drawing on the evaluations of fiscal 2021, the Company endeavors to ensure and improve the functions and effectiveness of its Board. To such end, the Company will implement the following priority measures in fiscal 2022:

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

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

#### **Supplementary Principle 4.14.2 Training Policies for Directors and Audit & Supervisory Board Members**

If it is deemed necessary for Directors or Audit & Supervisory Board Members, or requested by one of these members, the Company has the systems in place to appropriately and promptly provide the necessary information for the fulfillment of duties, such as providing theme-based training sessions relating to themes considered necessary for Directors or Audit & Supervisory Board Members or themes based on requests by one of these members, or providing the opportunity to be an observer at business locations. Moreover, the Company will provide, as necessary, training opportunities conducted by third-party institutions that can be of use for the fulfillment of duties, and the costs of such training will be covered by the Company.

Newly appointed Outside Directors and Outside Audit & Supervisory Board Members receive training before assuming their positions. These seminars teach an overview of the Company, the industry environment, the corporate philosophy, the state of business operations, and matters relating to corporate governance, as well as the relevant regulations related to their positions. Moreover, in order to enhance discussion in the Board, the Company provides preliminary seminars about themes discussed by the Board to contribute to the sharing and promoting of understanding of internal company information with Outside Directors and Outside Audit & Supervisory Board Members. The Company also provides Corporate Officers, who are positioned as potential candidates for becoming Directors, with seminars that provide senior executive oriented training before they assume their position as Corporate Officer.

#### **Principle 5.1 Dialogue with Shareholders**

As prescribed in the “Daiichi Sankyo Group Corporate Conduct Charter,” we actively communicate with our stakeholders and disclose corporate information in a timely and appropriate manner in accordance with the principles of corporate accountability. Please read the Corporate Conduct Charter at the following URL:

[https://www.daiichisankyo.com/about\\_us/responsibility/global\\_policy/](https://www.daiichisankyo.com/about_us/responsibility/global_policy/)

Moreover, we disclose information in a transparent, fair and continuous manner as prescribed in Daiichi Sankyo Group IR Disclosure Policy, which is also presented on the Company's website at the following URL:

[https://www.daiichisankyo.com/investors/disclosure\\_policy/](https://www.daiichisankyo.com/investors/disclosure_policy/)

The CEO, the Chief Financial Officer (CFO), and the Corporate Communications Department are in charge of disclosing corporate information. The Corporate Communications Department endeavors to disclose detailed information, and when necessary, receives the assistance of the responsible persons of each division. We respond earnestly to requests from shareholders to engage in dialogue and respond by

considering the purpose and details of the proposed meeting.

More specifically, we provide information in the following ways. CEO and CFO hold interviews with Japanese and foreign shareholders and investors, present financial results every quarter, and broadcast messages via the website. The Corporate Communications Department reply to individual inquiries (telephone or email), respond to the media, participate in conferences organized by securities companies and present to individual investors, prepare “Value Report”, “Shareholder Report”, “Convocation Notice for General Meeting of Shareholders”, publish e-mail magazines (twice a month). The Company regularly provides the management team with feedback concerning the opinions of shareholders and investors received through the above activities.

In our communication with shareholders and investors we only discuss publicly disclosed information to ensure fairness, and we put thorough efforts into managing insider information. Moreover, we implement regular surveys for shareholder composition and report results to the management team.

#### Further Information

For the latest and more detailed IR information of the Company, please visit the “Investors” page on the Company’s website.

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

## 2. Capital Structure

Foreign Shareholding Ratio	30% or more
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### [Major Shareholders] Updated

Name	Number of Shares Owned	Ratio (%)
The Master Trust Bank of Japan, Ltd. (trust account)	336,942,400	17.58%
Custody Bank of Japan, Ltd. (trust account)	165,414,000	8.63%
JP Morgan Chase Bank 385632	127,465,468	6.65%
Nippon Life Insurance Company	85,863,046	4.48%
STATE STREET BANK AND TRUST COMPANY 505001	55,381,936	2.89%
Custody Bank of Japan, Ltd. as trustee for Mizuho Bank, Ltd. Retirement Benefit Trust Account re-entrusted by Mizuho Trust and Banking Co., Ltd.	43,208,676	2.25%
SSBTC CLIENT OMNIBUS ACCOUNT	39,063,527	2.04%
STATE STREET BANK WEST CLIENT-TREATY 505234	31,478,463	1.64%
The Shizuoka Bank, Ltd.	30,422,790	1.59%
JP MORGAN CHASE BANK 385781	25,518,078	1.33%

Controlling Shareholder (except for Parent Company)	—
Parent Company	None

### Supplementary Explanation Updated

- The status of major shareholders above is the status as of September 30, 2022.
- The Company held 30,002,636 treasury shares as of September 30, 2022, which are excluded from the above list (top 10).
- Following large shareholding report / change report is available for public inspection. However it is not included in the above Major Shareholders list since the actual number of shares owned as of September 30, 2022 is not confirmed.

Name of the owner / reporting date / number of shares owned (ratio of shares owned to total number of shares outstanding)

BlackRock Japan Co., Ltd. / June 6, 2022 / 121,727 thousand shares (6.25%)

Capital Research and Management Company / June 7, 2022 / 151,212 thousand shares (7.77%)

Mitsubishi UFJ Financial Group, Inc. / September 5, 2022 / 93,513 thousand shares (4.80%)

## 3. Corporate Attributes

Listed Stock Market and Market Section	Prime market of the Tokyo Stock Exchange
Fiscal Year-End	March 31
Business category	Pharmaceuticals
Number of employees (consolidated)	1,000 or more
Net sales (consolidated)	1 trillion yen or more
Number of consolidated subsidiaries	50 or more but less than 100

**4. Policy on Measures to Protect Minority Shareholders in Conducting Transactions with Controlling Shareholder**

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**5. Other Special Circumstances which may have Material Impact on Corporate Governance**

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## II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management

### 1. Organizational Composition and Operation

Organization Form	Company with Audit & Supervisory Board
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#### [Matters Related to Directors]

Maximum Number of Directors prescribed in the Articles of Incorporation	Fourteen
Term of office of Directors prescribed in the Articles of Incorporation	One year
Chairperson of the Board	Outside Director
Number of Directors	Nine
Appointment of Outside Directors	Appointed
Number of Outside Directors	Four
Number of Outside Directors that are Independent Directors	Four

#### **Outside Directors and Their Relationship with the Company (1)\_**

Name	Attribute	Relationship with the company										
		a	b	c	d	e	f	g	h	i	j	k
Noritaka Uji	From other company											
Kazuaki Kama	From other company											
Sawako Nohara	From other company											
Yasuhiro Komatsu	Academic											

\* Categories for “Relationship with the Company”

\* ”○” when Director presently falls or has recently fallen under the category;

“△” when Director fell under the category in the past

\* “●” when a close relative of Director presently falls or has recently fallen under the category;

“▲” when a close relative of Director fell under the category in the past

- a. Executive Officer in a listed company or its subsidiary
- b. Executive Officer or non-executive director of a parent company of a listed company
- c. Executive Officer of a brother company of a listed company
- d. Person whose main business partner is a listed company or an Executive Officer of the same
- e. Main business partner of a listed company or an Executive Officer of the same
- f. Consultant, accountant or legal expert who receives a large amount of cash or other properties from a listed company in addition to executive compensation
- g. Major shareholder of a listed company (if the said major shareholder is a corporation, an Executive Officer in the said corporation)
- h. Executive Officer in a business partner of a listed company (which does not correspond to d, e or f; applies only to the person in question)
- i. Executive Officer in an entity with which the Company has a cross-directorship arrangement (applies only to the person in question)
- j. Executive Officer in an entity which receives a donation from a listed company (applies only to the person in question)
- k. Others

## Outside Directors and Their Relationship with the Company (2)

Name	Supplementary explanation	Reason for appointment of the said Outside Director
Noritaka Uji	Independent Director Chairperon of the Board	<p>Noritaka Uji has a wealth of experience and a wide range of knowledge in overall corporate management, IT, and digital technology, developed through his management experience in the area of information technology. Since June 2020, he has served as the Chairperson of the Board, the first Outside Director to assume the position in the Company. The Company has appointed him as Outside Director and as Independent Director, so that he will contribute to the separation of execution and oversight, and appropriately fulfilled his roles including the oversight on execution of the operation by making useful comments and proposals as needed based on the above experience, professional insight and objective standpoint, as well as appropriately managing the proceedings of meetings of the Board.</p> <p>The Company considers that he maintains the attributes of neutrality and fairness as an independent director who is without any fact itemized by the Tokyo Stock Exchange as facts that could cause conflicts of interest against common shareholders, and who satisfies the Company's criteria for independence of Outside Directors (refer to "Other Matters Related to Independent Directors / Auditors").</p>
Kazuaki Kama	Independent Director Chairperson of the Nomination Committee	<p>Kazuaki Kama has a wealth of experience and a wide range of knowledge in overall corporate management as well as finance and accounting, developed through his management experience at a comprehensive heavy-industry manufacturer. The Company has appointed him as Outside Director and as Independent Director, so that he will appropriately fulfill his roles including the oversight on execution of the operation by making useful comments and proposals as needed at meetings of the Board based on the above experience, professional insight and objective standpoint.</p> <p>The Company considers that he maintains the attributes of neutrality and fairness as an independent director who is without any fact itemized by the Tokyo Stock Exchange as facts that could cause conflicts of interest against common shareholders, and who satisfies the Company's criteria for independence of Outside Directors (refer to "Other Matters Related to Independent Directors / Auditors").</p>
Sawako Nohara	Independent Director Chairperson of the Compensation Committee	<p>Sawako Nohara has a wealth of experience and a wide range of knowledge in such fields as overall corporate management, IT, business strategies and marketing strategies, developed through her experience as the founder and the manager of a company engaging in the Internet and digital business and management experience. The Company has appointed her as Outside Director and as Independent Director, so that she will appropriately fulfill her roles including the oversight on execution of the operation by making useful comments and proposals as needed at the Board Meetings based on the above experience, professional insight and objective standpoint.</p> <p>The Company considers that he maintains the attributes of</p>



		neutrality and fairness as an independent director who is without any fact itemized by the Tokyo Stock Exchange as facts that could cause conflicts of interest against common shareholders, and who satisfies the Company's criteria for independence of Outside Directors (refer to "Other Matters Related to Independent Directors / Auditors").
Yasuhiro Komatsu	Independent Director	<p>Yasuhiro Komatsu has a wealth of experience and a wide range of knowledge in medical care, clinical governance, public health, drug safety and risk management, from his experience as a medical doctor. The Company has appointed him as Outside Director and as Independent Director, so that he will appropriately fulfill his roles including the oversight on execution of the operation by making useful comments and proposals as needed at the Board Meetings based on the above experience, professional insight and objective standpoint.</p> <p>The Company considers that he maintains the attributes of neutrality and fairness as an independent director who is without any fact itemized by the Tokyo Stock Exchange as facts that could cause conflicts of interest against common shareholders, and who satisfies the Company's criteria for independence of Outside Directors (refer to "Other Matters Related to Independent Directors / Auditors").</p>

Voluntary Establishment of Committee(s) Corresponding to the Nomination Committee or the Compensation Committee	Established
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a. Committees established voluntarily, member composition, attribute of chairperson

	Committee Corresponding to the Nomination Committee	Committee Corresponding to the Compensation Committee
Committee's Name	Nomination Committee	Compensation Committee
Total no. of Committee Members	4	4
Full-time Members		
In-house Directors		
Outside Directors	4	4
External Experts		
Others		
Chairperson	Outside Director	Outside Director

To ensure management transparency, nomination of candidates for Directors and Corporate Officers, succession plan for CEO 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 Outside Directors and one Outside Audit & Supervisory Board Member participates as the observer in each committee.

The Compositions of each committee as of November 30, 2022 are as follows.

[Nomination Committee]

Chairperson: Kazuaki Kama, Outside Director

Members: Noritaka Uji, Sawako Nohara and Yasuhiro Komatsu, Outside Directors

Observer: Mitsuhiro Matsumoto, Outside Audit & Supervisory Board Member

[Compensation Committee]

Chairperson: Sawako Nohara, Outside Director

Members: Noritaka Uji, Kazuaki Kama and Yasuhiro Komatsu, Outside Directors

Observer: Yukiko Imazu, Outside Audit & Supervisory Board Member

For fiscal 2022, the activities of each committee, from April 1 to November 30, 2022, are as follows.

[Nomination Committee]

Meetings were held six times; in April, July, August, September\*, October and November to discuss the appointment, dismissal and reelection of the CEO, succession plan of the CEO, nomination for candidate Directors and Audit & Supervisory Board Members, and the Skill Matrix and other matters.

All the members and observer of the Nomination Committee attended to all the meetings.

[Compensation Committee]

Meetings were held seven times; in April, May, June, July, September\*, October and November, to discuss decision policies regarding the content of individual compensation for Directors, amounts and calculation standards for individual compensation and bonuses of Directors and Corporate Officers, evaluation coefficient for fiscal 2021 of mid-term performance-based compensation, allotment of restricted shares, examination of compensation levels for Directors and Corporate Officers, and other matters.

All the members and observer of the Compensation Committee attended to all the meetings.

\*In addition to standard deliberations, in September, a joint meeting of the Nomination Committee and the Compensation Committee was held to discuss the interim report on CEO's objectives for fiscal 2022.

**[Matters Related to Audit & Supervisory Board Members]**

Establishment of Audit & Supervisory Board	Established
Maximum Number of Audit & Supervisory Board Members prescribed in the Articles of Incorporation	Five
Number of Audit & Supervisory Board Members	Five

<p><b>Cooperation among Audit &amp; Supervisory Board Members, Accounting Auditor, and Internal Audit Department</b></p>
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Audit & Supervisory Board Members of the Company and KPMG AZSA LLC, the accounting auditor, strive to cooperate with each other by 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. Audit & Supervisory Board Members also work to promote business cooperation with the Internal Audit Department and receive reports on their audit plan and audit results, periodically share information with each other and engage in opinion-exchange.

Appointment of Outside Audit & Supervisory Board Members		Appointed
Number of Outside Audit & Supervisory Board Members		Three
Number of Outside Audit & Supervisory Board Members that are Independent Auditors		Three

**Outside Audit & Supervisory Board Members and Their Relationship with the Company  
(1)**

Name	Attribute	Relationship with the company												
		a	b	c	d	e	f	g	h	i	j	k	l	m
Yukiko Imazu	Attorney													
Masako Watanabe	Certified Public Accountant													
Mitsuhiro Matsumoto	Other													

Relationship with the company

- a. Executive Officer in a listed company or its subsidiary
- b. Non-executive director or accounting advisor of a listed company or its subsidiary
- c. Executive Officer or non-executive director of a parent company of a listed company
- d. Audit & supervisory board member of a parent company of a listed company
- e. Executive Officer of the brother company of a listed company
- f. Person whose main business partner is a listed company or an Executive Officer of the same
- g. Main business partner of a listed company or an Executive Officer of the same
- h. Consultant, accountant or legal expert who receives a large amount of cash or other properties from a listed company in addition to executive compensation
- i. Major shareholder of a listed company (if the said major shareholder is a corporation, an Executive Officer in the said corporation)
- j. Executive Officer in a business partner of a listed company (which does not correspond to f, g or h; applies only to the person in question)
- k. Executive Officer in an entity with which the Company has a cross-directorship arrangement (applies only to the person in question)
- l. Executive Officer in an entity which receives a donation from a listed company (applies only to the person in question)
- m. Others

**Outside Audit & Supervisory Board Members and Their Relationship with the Company (2)\_**

Name	Supplementary explanation	Reason for appointment of the said Outside Audit & Supervisory Board Member
Yukiko Imazu	Independent Auditor	<p>Yukiko Imazu has a wealth of experience and a wide range of knowledge in overall legal affairs, developed through her experience as a lawyer. The Company has appointed her as Outside Audit &amp; Supervisory Board Member and as Independent Auditor, so that she will make useful comments and proposals as needed based on the above experience, professional insight and objective standpoint and will also assess the status of decision making by the Board and other matters, thereby performing her duties to audit the execution of Directors' duties in an appropriate manner.</p> <p>The Company considers that she maintains the attributes of neutrality and fairness as an Independent Auditor who is without any fact itemized by the Tokyo Stock Exchange as facts that could cause conflicts of interest against common shareholders, and who satisfies the Company's criteria for independence of Outside Audit &amp; Supervisory Board Members (refer to "Other Matters Related to Independent Directors / Auditors").</p>

Name	Supplementary explanation	Reason for appointment of the said Outside Audit & Supervisory Board Member
Masako Watanabe	Independent Auditor	<p>Masako Watanabe has a wealth of experience and a wide range of knowledge in overall finance and accounting, developed through her experience as a certified public accountant. The Company has appointed her as Outside Audit &amp; Supervisory Board Member and as Independent Auditor, so that she will make useful comments and proposals as needed based on the above experience, professional insight and objective standpoint and will also assess the status of decision making by the Board and other matters, thereby performing her duties to audit the execution of Directors' duties in an appropriate manner.</p> <p>The Company considers that she maintains the attributes of neutrality and fairness as an Independent Auditor who is without any fact itemized by the Tokyo Stock Exchange as facts that could cause conflicts of interest against common shareholders, and who satisfies the Company's criteria for independence of Outside Audit &amp; Supervisory Board Members (refer to "Other Matters Related to Independent Directors / Auditors").</p>
Mitsuhiro Matsumoto	Independent Auditor	<p>Mitsuhiro Matsumoto served in key leadership positions in the National Police Agency, and has a wealth of experience and a wide range of knowledge in such as public administrations, the operation of large organizations, domestic/international risk management. The Company has appointed him as Outside Audit &amp; Supervisory Board Member and as Independent Auditor, so that he will make useful comments and proposals as needed based on the above experience, professional insight and objective standpoint and will also assess the status of decision making by the Board and other matters, thereby performing his duties to audit the execution of Directors' duties in an appropriate manner.</p> <p>The Company considers that he maintains the attributes of neutrality and fairness as an Independent Auditor who is without any fact itemized by the Tokyo Stock Exchange as facts that could cause conflicts of interest against common shareholders, and who satisfies the Company's criteria for independence of Outside Audit &amp; Supervisory Board Members (refer to "Other Matters Related to Independent Directors / Auditors").</p>

## [Matters relating to Independent Directors / Auditors]

Number of Independent Directors / Auditors	Seven
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## Other Matters relating to Independent Directors / Auditors

### [Criteria for Independence as Outside Director / Outside Audit & Supervisory Board Member]

In nominating candidates for Directors, the Company shall include a person who satisfies the definition of Outside Director, aiming at reinforcing decision-making functions from various perspectives and enhancing the supervising function for execution of operation. Outside Directors/ Auditors (Outside Director and Outside Audit & Supervisory Board Member) are required to ensure their independence from the Company. On March 31, 2014, the Board and Audit & Supervisory Board resolved “Criteria for independence” as follows:

1. A Director or an Audit & Supervisory Board Member shall be determined to be independent from the Company and may not have a conflict of interest with general shareholders of the Company unless he or she falls into any of the following categories:
  - (1) A candidate or his or her immediate family member\* who:
    - i) is or has been an Executive Officer, of the Company or brother company or subsidiary (referring to a director other than outside director, corporate officer, executive officer or other employee; provided, however, limited to those who are important persons in terms of relationship with immediate family members. The same shall apply hereafter.); or
    - ii) has received during any of the last three fiscal years more than ¥10 million in direct compensation for his or her services as a consultant, a specialist in law, accounting or tax, or a healthcare professional, etc. from the Company, other than director or Audit & Supervisory Board Member compensation.

\* An “immediate family member” includes a person’s spouse, parents, children, siblings, grandparents, grandchildren, mothers and fathers-in-law, sons and daughters-in-law, spouses of siblings, grandchildren-in-law, and brothers and sisters-in-law. The same shall apply hereafter.
  - (2) A candidate or his or her immediate family member who is or has been within the last ten years, an Executive Officer, of a corporation or other association falling into:
    - i) Business relationship
      - a) a company that has made payments to, or received payments from, the Group for products or services in an amount which, in any of the last three fiscal years, exceeds 2% of any of the companies’ consolidated gross revenues;
      - b) a consulting firm, law firm, auditing firm, tax accounting firm or school corporation that receives compensation from the Group exceeding 10% of its gross revenue in any of the last three fiscal years; or
      - c) a lender from whom the Group obtained a loan of more than 10% of its consolidated total assets at the end of the fiscal year immediately before nomination.
    - ii) Major shareholder

A corporation or other legal entity that is a major shareholder of the Company or a corporation of which the Company is a major shareholder at the time of determining the independence. A major shareholder means a shareholder holding at least 10% of total shares outstanding of the Company.
    - iii) Recipient of charitable contributions

An organization to which the Company’s discretionary charitable contributions in any of the last three fiscal years are more than ¥10 million and 2% of annual gross revenues of that organization or other associations.
    - iv) Accounting auditor

An audit firm that is or has been for the last three years an accounting auditor of the Group.

v) Cross-directorship arrangement

When an Executive Officer of the Company is a current Outside Director or Outside Audit & Supervisory Board Member in a cross-directorship arrangement with the listed company.

2. Even though a candidate for an outside director/ auditor falls into any of the above, when the Board or Audit & Supervisory Board judge him or her to be ensured of independence after a comprehensive review, he or she may be determined to have no problem with criteria for independence as an outside director/ auditor.

**[Incentives]**

Incentive Policies for Directors	Introduction of performance based bonus; Others
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**Supplementary Explanation**

The Company has developed the new executive compensation system which has been implemented in fiscal 2021. We have revised the maximum amount of compensation, changed the ratio of the composition of compensations, and introduced the mid-term performance-based share compensation system and the clawback clause.

Please see the attached “Overview of the Company’s Executive Compensation System” for further information.

Recipients of Stock Options	—
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**Supplementary Explanation**

**[Matters Related to Compensation to Directors]**

Disclosure of individual compensation to Directors	Only part of compensation to Directors is disclosed individually
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**Supplementary Explanation**

The amount of compensation and related payments to Directors and Audit & Supervisory Board Members in fiscal 2021 is disclosed in the Business Report as follows.

[Directors (excluding Outside Directors)]

Total amount of compensation and related payments : 863 million yen

(Break down: Basic compensation 316 million yen, Annual performance based bonuses 387 million yen, Restricted share-based compensation 98 million yen, Mid-term performance-based share compensation 63 million yen)

Number of Directors: 6 persons

[Audit & Supervisory Board Members (excluding Outside Audit & Supervisory Board Members)]

Total amount of compensation and related payments: 93 million yen

(Break down: Basic compensation 93 million yen)

Number of Audit & Supervisory Board Members: 2 persons

[Outside Directors]

Total amount of compensation and related payments: 96 million yen  
(Break down: Basic compensation 96 million yen)  
Number of Outside Directors: 4 persons

[Outside Audit & Supervisory Board Members]

Total amount of compensation and related payments: 62 million yen  
(Break down: Basic compensation 62 million yen)  
Number of Outside Audit & Supervisory Board Members: 4 persons

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

“Restricted share-based compensation” and “Mid-term performance-based share compensation” above represents the amount posted to expenses in fiscal 2021.

Information regarding consolidated compensation and related payments to Directors and Audit & Supervisory Board Members receiving 100 million yen or more is individually disclosed in the Annual Securities Report (Japanese report).

Policy on Determining Compensation Amounts and Calculation Methods	Established
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**Disclosure of Policy on Determining Compensation Amounts and Calculation Methods**

The Company has developed the new executive compensation system which has been implemented in fiscal 2021. We have revised the maximum amount of compensation, changed the ratio of the composition of compensations, and introduced the mid-term performance-based share compensation system and the clawback clause.

The Company’s policy on how to determine the compensation amount for each Director and Corporate Officer under the developed compensation system is described in the attached “Overview of the Company’s Executive Compensation System”.

**[System for Supporting Outside Directors and Outside Audit & Supervisory Board Members]**

The Secretariat Department is responsible for supporting Outside Directors. The Office of Audit & Supervisory Board Members are in charge of supporting Outside Audit & Supervisory Board Members.



**[Status of Persons who have retired from Representative Director and President, etc.]**

**Name of Senior Corporate Advisers and Corporate Advisers who have formerly served as Representative Director and President, etc.**

Name	Title/ Position	Description of Tasks	Form and Conditions of Services (Full-time, Part-time, Compensation Paid or Unpaid etc.)	Date of Retirement from President, etc.	Term
Joji Nakayama	Senior Adviser	<ul style="list-style-type: none"> <li>▪ Advice to current management when requested from them</li> <li>▪ Outside activities (economic or industry associations, etc.)</li> </ul>	Full time Compensation Paid	June 15, 2020	1 year

Total number of Senior Corporate Advisers and Corporate Advisers who have formerly served as Representative Director and President, etc.

1

**Others**

<External activities>

Wide range of external activities as a director of the Japan Business Federation

<In-house work>

Management advice upon request (no participation in management meetings and participation in decision making such as internal approval)

<Compensation>

Determined according to an internal regulation based on compensation upon retirement

<Appointment>

To appoint Senior Adviser and Corporate Adviser, consultation with the Nomination Committee and the Board resolution should be required.

**2. Matters on Functions of Business Execution, Auditing, Oversight, Nomination and Compensation Decisions (Overview of Current Corporate Governance System)**

Updated

**(1) Outline of current corporate governance structure**

- 1) Outline of governance structure and basic explanation of company organs
  - To clarify Directors management responsibility and reinforce their oversight of management and the conduct of operations, their terms of office are set at one year, and four out of our nine Directors are Outside Directors. Since June 2020, an Outside Director has been appointed as chairperson of the Board.
  - To ensure management transparency, nomination of candidates for Directors and Corporate Officers, succession plan for CEO and executive compensation system thereof are deliberated on by the Nomination Committee and the Compensation Committee, respectively, which are advisory bodies to the Board and are established as voluntary committees.
  - Both Committees are composed of four Outside Directors, and one Outside Audit & Supervisory Board Member participates as an observer.
  - For audits of legal compliance and soundness of management, the Company has adopted an Audit & Supervisory Board system and established Audit & Supervisory Board comprising five Audit &

- Supervisory Board Members, including three Outside Audit & Supervisory Board Members.
- The Company prescribes specific criteria on the judgment of independence of Outside Directors and Outside Audit & Supervisory Board Members and basic matters regarding execution of duties by Directors and Audit & Supervisory Board Members.
- Under the global management structure, the Executive Management Committee meeting with management unit heads as members is held as appropriate to deliberate on important matters related to the strategy, policy, and execution of group management, and to contribute to management decision-making.
- 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 organizations (secondary controls), and internal auditing encompassing monitoring carried out by the Internal Audit Department (tertiary controls).
- The Company considers this system to be optimal and has adopted this system to create a management structure that can respond speedily and flexibly to changes in the business environment, to secure legal compliance and management transparency and to strengthen management oversight and the conduct of operations.

## 2) Daiichi Sankyo's decision-making structure

The Company holds a Board Meeting, in principle, once a month to resolve key operational execution matters and to supervise the executions of duties of Directors. Furthermore, the Company holds Executive Management Committees multiple times each month according to agenda items, deliberate on business execution, and strive to increase the speed and appropriateness of management decisions.

### **[Number of Attendance for the Board / Audit & Supervisory Board Meetings (For fiscal 2022, from April 1 to November 30, 2022)]**

Sunao Manabe, Representative Director	: The Board Meetings 9 / 9 meetings (100%)
Shoji Hirashima, Representative Director	: The Board Meetings 9 / 9 meetings (100%)
Masahiko Ohtsuki, Director	: The Board Meetings 9 / 9 meetings (100%)
Hiroyuki Okuzawa, Director	: The Board Meetings 9 / 9 meetings (100%)
Takashi Fukuoka, Director	: The Board Meetings 6 / 6 meetings (100%)
Noritaka Uji, Outside Director	: The Board Meetings 9 / 9 meetings (100%)
Kazuaki Kama, Outside Director	: The Board Meetings 9 / 9 meetings (100%)
Sawako Nohara, Outside Director	: The Board Meetings 9 / 9 meetings (100%)
Yasuhiro Komatsu, Outside Director	: The Board Meetings 6 / 6 meetings (100%)

Ryoichi Watanabe, Full-time Audit & Supervisory Board Member  
 : The Board Meetings 9 / 9 meetings (100%)  
 : Audit & Supervisory Board Meetings 9 / 9 meetings (100%)

Kenji Sato, Full-time Audit & Supervisory Board Member  
 : The Board Meetings 9 / 9 meetings (100%)  
 : Audit & Supervisory Board Meetings 9 / 9 meetings (100%)

Yukiko Imazu, Outside Audit & Supervisory Board Member  
 : The Board Meetings 9 / 9 meetings (100%)  
 : Audit & Supervisory Board Meetings 9 / 9 meetings (100%)

Masako Watanabe, Outside Audit & Supervisory Board Member  
 : The Board Meetings 9 / 9 meetings (100%)  
 : Audit & Supervisory Board Meetings 9 / 9 meetings (100%)

Mitsuhiro Matsumoto, Outside Audit & Supervisory Board Member  
 : The Board Meetings 6 / 6 meetings (100%)  
 : Audit & Supervisory Board Meetings 6 / 6 meetings (100%)

Note: The number of attendance for Takashi Fukuoka and Yasuhiro Komatsu in the Board Meetings and for Mitsuhiro Matsumoto in the Board Meetings and Audit & Supervisory Board Meetings signifies the number of attendance only to such meetings held after their assumption of office on June 27, 2022.

### 3) System to ensure the rightfulness of Daiichi Sankyo's decision-making

#### (i) Nomination of Directors and Corporate Officers

- The term of office for Directors and Corporate Officers is set at one year to respond swiftly to changes in the business environment and to clarify management responsibility.
- Nomination of Directors, Audit & Supervisory Board Members and Corporate Officers is discussed at the voluntarily established Nomination Committee. To secure further rightfulness, the Nomination Committee consists of four Outside Directors and one Outside Audit & Supervisory Board Member participates as the observer in each committee.

#### (ii) Compensation

To ensure the rightfulness of compensation for Directors, Audit & Supervisory Board Members and Corporate Officers, following actions are taken.

- Compensation system for Directors, Audit & Supervisory Board Members and Corporate officers is clarified.
- Annual performance based bonus as a short-term incentive and restricted shares compensation and mid-term performance-based share compensation as long-term incentive are built in.
- To ensure sufficient supervision functions of management, fixed amount compensation system is employed for Outside Directors and Audit & Supervisory Board Members without short-term and long-term incentives.
- The compensation system, the composition of the compensation, verification and review of compensation levels for each position, target setting and result confirmation of performance-based bonuses and mid-term performance-based compensation, and allocation of restricted shares have been deliberated at the Compensation Committee that has been established as a voluntary organization. To secure rightfulness, the Compensation Committee consists of four Outside Directors and one Outside Audit & Supervisory Board Member participates as the observer in each committee.
- The amount of compensation for each individual Director and Corporate Officer is first deliberated by the Compensation Committee, and then based on the deliberation results, each type of the compensation will be determined by a resolution of the Board within the total amount of

compensation resolved at General Meeting of Shareholders.

(iii) Corporate Ethics Committee, EHS Management Committee

To promote proper management, in addition to Executive Management Committee meeting, the Company has established several committees, which deliberate certain matters and report to the Board and CEO, etc.

[Corporate Ethics Committee]

The Corporate Ethics Committee has been established to comply with Japanese and other jurisdictions' laws and corporate ethics and to promote the management of corporate social responsibility. In addition to persons in charge of operational execution, outside attorney and as observers, Full-time Audit & Supervisory Board Members, Vice president of Internal audit department and Vice president of Business management department, Japan business unit are invited to the committee.

[EHS Management Committee]

It has been established to protect the environment and ensure the health and safety of employees and contribute to the development of a sustainable society through overall corporate activities of the Group while achieving the uniform management and promotion of Environment, Health, and Safety management for which there is a high likelihood of risks occurring. Full-time Audit & Supervisory Board Members as observers are invited to the committee.

**(2) Status of Audit by Audit & Supervisory Board Members**

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

- The Company is a company with an Audit & Supervisory Board, and Audit & Supervisory Board comprises of five Audit & Supervisory Board Members (two Full-time Audit & Supervisory Board Members and three Outside Audit & Supervisory Board Members), which includes one certified public accountant.
- To further strengthen the audit functions of Audit & Supervisory Board Members, four full-time staff members, who are independent from the execution of operations, assist with the duties of Audit & Supervisory Board Members.

## 2) Experience and Specialty of Each Audit & Supervisory Board Member

Name	Experience/Specialty
Full-time Audit & Supervisory Board Member Ryoichi Watanabe	Engaged in finance and accounting, corporate business management, corporate affairs and procurement, internal audit, etc., he is familiar with overall activities of the Company and has a broad perspective and knowledge.
Full-time Audit & Supervisory Board Member Kenji Sato	Engaged in research and development, human resources, corporate business management, etc., he is familiar with overall activities of the Company and has a broad perspective and knowledge.
Outside Audit & Supervisory Board Member Yukiko Imazu	She has a wealth of experience and a wide range of knowledge in overall legal affairs, developed through her experience as a lawyer.
Outside Audit & Supervisory Board Member Masako Watanabe	She has a wealth of experience and a wide range of knowledge in overall finance and accounting, developed through her experience as a certified public accountant.
Outside Audit & Supervisory Board Member Mitsuhiro Matsumoto	He served in key leadership positions in the National Police Agency, and has a wealth of experience and a wide range of knowledge in such as public administrations, the operation of large organizations, domestic/international risk management.

## 3) Activities of Audit & Supervisory Board and its Members (Fiscal 2021)

### a) Activities of Audit & Supervisory Board meetings

- The Company holds Audit & Supervisory Board meeting one time per month.
- Aside from Audit & Supervisory Board meetings, meetings to exchange views among Audit & Supervisory Board Members are held after the Board Meetings.
- Approximately 120 minutes was devoted to monthly Audit & Supervisory Board meetings, and 16 proposals were placed on the meeting agenda this fiscal year.

### b) Key matters for sharing and consideration in Audit & Supervisory Board meetings

- Audit policy, audit plans, and segregation of duties
- Audit Reports by Audit & Supervisory Board
- Consent for “Election of Audit & Supervisory Board Members” as proposals in General Meetings of Shareholders
- Revision of compensation for Audit & Supervisory Board Members
- Evaluation of Accounting Auditors
- Evaluation of the effectiveness of Audit & Supervisory Board
- Internal audit plans and results thereof
- Status of audit by Audit & Supervisory Board Members of the domestic Group companies
- Status of execution of duties by Full-time Audit & Supervisory Board Members on a monthly basis

### c) Activities of Audit & Supervisory Board Members

- Regular meetings with Representative Directors: Held twice a year (by Full-time/Outside Audit & Supervisory Board Members)
- Regular meetings with chairperson of the Board: Held once a year (by Full-time Audit & Supervisory Board Members)
- Meetings with Directors: Held once a year (by Full-time Audit & Supervisory Board Members)
- Attendance at important meetings: Attendance in meetings such as those of the Board, Executive Management Committee meeting (by Full-time/Outside Audit & Supervisory Board Members), Corporate Ethics Committee and EHS Management Committee (by Full-time Audit & Supervisory Board Members)
- Attendance at important meetings of the domestic Group companies: Acting as Part-time Audit & Supervisory Board Members of the principal domestic Group companies, attendance in meetings of

bodies such as the Board and Executive Management Committee meeting of such companies (by Full-time Audit & Supervisory Board Members)

- Perusal of important documents: Perusal of documentation that includes approval documents, materials and minutes of important meetings (by Full-time Audit & Supervisory Board Members)
- Interview by Audit & Supervisory Board Members: Heads of Unit, Heads of Division, Vice Presidents (department), Vice Presidents (branch), Vice Presidents (research laboratories), Directors in charge of internal control of domestic Group companies, Presidents and Heads of Internal Audit Department of overseas Group companies, etc. (by Full-time/Outside Audit & Supervisory Board Members)
- Advice and requests at the Board Meetings (by Full-time/Outside Audit & Supervisory Board Members)
- Membership of voluntary advisory committees: Observer of the Nomination Committee and the Compensation Committee (by Outside Audit & Supervisory Board Members)
- Cooperation with Outside Directors: Engaging in opinion-exchange (by Outside Audit & Supervisory Board Members), Individual interviews (by Full-time Audit & Supervisory Board Member)
- Meetings with Audit & Supervisory Board Members of domestic Group companies: Held twice a year (by Full-time Audit & Supervisory Board Members)
- Cooperation with the Internal Audit Department: Reporting internal audit plans, results thereof and engaging in opinion-exchange, confirming audit points before internal audits, information-sharing and opinion-exchange at monthly meetings (by Full-time Audit & Supervisory Board Members), attendance of Internal Audit Department at meetings between Audit & Supervisory Board Members and Accounting Auditors (by Full-time/Outside Audit & Supervisory Board Members)
- 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 information-sharing and opinion-exchange on recent topics on a monthly basis (by Full-time/Outside Audit & Supervisory Board Members), consultation about Key Audit Matters (KAM) (by Full-time/Outside Audit & Supervisory Board Members)

#### 4) Audit & Supervisory Board evaluation for fiscal 2021

Audit & Supervisory Board conducted Audit & Supervisory Board evaluation for fiscal 2021 to heighten its effectiveness of Audit & Supervisory Board.

<Implementation method of Audit & Supervisory Board evaluation>

Audit & Supervisory Board established a wide range of evaluation items associated with Audit & Supervisory Board effectiveness. Each Audit & Supervisory Board Member conducted a self-evaluation of Audit & Supervisory Board then discussed those matters.

<Results of the evaluation of Audit & Supervisory Board>

The evaluation has concluded that although the Company's Audit & Supervisory Board largely carries out its activities appropriately, and the effectiveness of Audit & Supervisory Board has been ensured, it was confirmed that there is room for improvement in terms of several areas including audits of implementation status of the Global Management Structure and audits of the operation status of risk management under the expanding international business. Audit & Supervisory Board will draw on these results in terms of applying them to initiatives to be carried out for subsequent fiscal years.

### **(3) Status of the accounting audit**

As KPMG AZSA LLC, the accounting auditor, the certified public accountants who executed accounting audit of the Company were Kanako Ogura, Hiroshi Tani, and Masahiro Emori. Nine certified public accountants and eighteen persons who have passed the certified public accountant examination, IT audit specialists and others acted as assistants in the accounting audit of the Company.

### **(4) Status of the internal audit**

Regarding the internal audit, the Internal Audit Department (28 persons) under the direct control of the President has audited the design and operational effectiveness of the Group's internal control system. The Internal Audit Department reports the audit results to the President, Audit & Supervisory Board Members and related departments, and if necessary, cooperates with the departments responsible for the

secondary control, summarizes audit results and reports them to the Board and Audit & Supervisory Board as appropriate.

#### **(5) Liability Limitation Agreement**

The Company has entered into the agreement with each Outside Director and Outside Audit & Supervisory Board Member that the maximum amount of liabilities with regard to Article 423, Paragraph 1 of the Companies Act is the minimum liability amount as provided by applicable laws and ordinances.

### **3. Reasons for Adoption of Current Corporate Governance System**

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

#### **Role and function of Outside Directors**

At Daiichi Sankyo, we have established a requirement that Outside Directors must always be included among Directors in order to strengthen the decision-making function of the Board and the supervising function based on various perspectives. At present, four of the nine Directors are Outside Directors, and they are all Independent Directors who ensure their independence from the Company. They sufficiently exercise the decision-making function and the supervisory function by expressing their opinion objectively, neutrally and fairly from various perspectives based on their expertise, experience and insight in Japan and overseas in fields including corporate management and management strategy, finance and accounting, science and technology, business strategy and marketing, global business, human resources and HR development, legal and risk management, sustainability and ESG, and DX and IT, etc.

The Nomination Committee and the Compensation Committee both consist of four Outside Directors and one Outside Audit & Supervisory Board Member participates as the observer in each committee.

### III. Implementation of Measures for Shareholders and Other Stakeholders

#### 1. Measures to Vitalize the General Shareholder Meetings and Smooth Exercise of Voting Rights

	Supplementary explanation
Early Notification of General Shareholder Meeting	The Company sent convocation notices regarding the 17 <sup>th</sup> Ordinary General Meeting of Shareholders, 21 days before (on June 6, 2022) it was scheduled to be held.
Scheduling AGMs Avoiding the Peak Day	The 17 <sup>th</sup> Ordinary General Meeting of Shareholders was held on Monday avoiding the date when many such meetings are held in Japan.
Allowing Electronic Exercise of Voting Rights	To improve the convenience of individual investors and institutional investors, the Company implements systems whereby voting rights can be exercised using information technology (IT).
Participation in Electronic Voting Platform	The Company participates in the platform for electronic exercise of voting rights for institutional investors operated by ICJ Inc.
Providing Convocation Notice in English	The Company prepares English versions of its convocation notices and posts the notices on its website.
Others	The Company posts the results of shareholder votes on its website.

#### 2. IR Activities

Updated

	Supplementary explanation	Explanation by the representative in person
Preparation and Publication of Disclosure Policy	The Company's policy on disclosure of IR information is provided and announced via the Company's website. <a href="https://www.daiichisankyo.com/media_investors/investor_relations/ir_disclosure_policy.html">https://www.daiichisankyo.com/media_investors/investor_relations/ir_disclosure_policy.html</a>	
Regular Investor Briefings for Individual Investors	The Company regularly holds our growth strategy briefings for individual investors by the Representative Director and President and IR members.	Yes
Regular Investor Briefings for Analysts and Institutional Investors	The Company holds results briefings for investors, securities analysts and the media by CEO in 2Q and 4Q, and by CFO in 1Q and 3Q. In addition, annually, the Company provides explanations on the status of our Research and Development "R&D day" regularly. Presentations and/or webcasts of the briefings, etc., including Q&As, are available on our website.	Yes
Regular Investor Briefings for Overseas Investors	The Company holds briefings on our Research and Development Pipeline and others regularly in English. Recorded videos or audios of briefings by the management team are available on our website with translated English if the briefings are held in Japanese. The Company also holds remote conferences with foreign institutional investors as the occasion may demand.	Yes



	Supplementary explanation	Explanation by the representative in person
Posting of IR Materials on Website	<p>The Company, on its website, has various IR materials including summaries of financial results, various types of material for briefings, securities reports, documents related to general meetings of shareholders, and Value Report etc. The Company also operates a website for individual investors and sends out an IR e-mail magazine. (Japanese only)</p> <p>Japanese website: <a href="https://www.daiichisankyo.co.jp/investors/">https://www.daiichisankyo.co.jp/investors/</a> Worldwide website: <a href="https://www.daiichisankyo.com/investors/">https://www.daiichisankyo.com/investors/</a></p>	–
Establishment of Department and/or Manager in Charge of IR	IR Group, Corporate Communications Department	–

### 3. Measures to Ensure Due Respect for Stakeholders Updated

	Supplementary explanation
Stipulation of Internal Rules for Respecting the Position of Stakeholders	The Company stipulates respect for the position of stakeholders in the Daiichi Sankyo Group Corporate Conduct Charter, Daiichi Sankyo Group Employee Code of Conduct and the Daiichi Sankyo Code of Conduct for Compliance.
Implementation of Environmental Activities, CSR Activities etc.	<p>The Company defines ESG management as “management based on a long-term perspective that enhances both financial and non-financial value by reflecting ESG elements in business strategies” and implements as the Group. Under ESG management, the Group newly established our 2030 vision of being an “innovative global healthcare company contributing to the sustainable development of society.” We strive to solve social issues including United Nations Sustainable Development Goals (SDGs), “Goal 3: Ensure healthy lives and promote well-being for all at all ages” by providing innovative solutions based on our strength: “Science and Technology”, that leads to realize our “Purpose,” which is to “contribute to the enrichment of quality of life around the world”. In addition, in global business activities, we aim to become a company trusted by stakeholders by complying with laws, regulations and rules, acting with high ethical standards and social conscience appropriate for a life-related healthcare company, as well as proactively responding to expectations from society.</p> <p>By creating innovative pharmaceuticals and providing a stable supply of top-quality pharmaceutical products, the Group strives to contribute to the treatment and continuation of treatment for patients, and to improve medical access in consideration of market conditions in each country, in cooperation with stakeholders such as insurers and alliance partners. In addition, in order to address insufficient medical infrastructure in developing countries, the Group works to strengthen their medical infrastructure through partnerships with NGOs. Currently, the Group is engaged in medical services related to maternal and child health in Myanmar, and medical support and awareness activities related to breast and cervical cancer in Nepal and Zimbabwe.</p> <p>The Company recognizes the global issue of “Environment” as one of the key issues in the Group’s value creation process. The Group identified “promotion of environmental management” as one of the material issues related to our business foundation. To achieve our long-term targets for 2050, the Group works to reduce environment load across the entire value chain with the aim of “carbon neutral”, “100% recycling rate” and</p>

	<p>“minimization of environmental risk.”</p> <p>On the climate change measures, the Group has been recognized for its actions to cut emissions, mitigate climate risks and develop the low-carbon economy. by global environmental non-profit CDP, securing a place on its prestigious ‘A List’ for tackling climate change for three consecutive years. We also disclose information on the impact of risks and opportunities related to climate change on our business activities, revenues, etc., based on the TCFD recommendations, which were revised in October 2021.</p> <p>As part of our efforts to respect” Human Rights”, the Company enacted” Daiichi Sankyo Group Human Rights Policy” in June 2020, expressing our respect for international norms and basic principles such as the Universal Declaration of Human Rights and the UN Guiding Principles on Business and Human Rights, and has been promoting human rights due diligence. In addition, as a signatory to the United Nations Global Compact, the Group supports 10 principles in the 4 areas of human rights, labor, environment, and anti-corruption.</p> <p>In addition, the Group will actively disclose the results of improvements and challenges to be addressed while utilizing the comments and opinions received from various stakeholders in our corporate activities. The Company also conducts active dialogues with ESG investors in order to strengthen our sustainability management.</p> <p>For more details of our sustainability activities, please refer to our website and Value Report.</p> <p>Sustainability Website:  <a href="https://www.daiichisankyo.com/sustainability/">https://www.daiichisankyo.com/sustainability/</a>  Value Report Website:  <a href="https://www.daiichisankyo.com/investors/library/annual_report/">https://www.daiichisankyo.com/investors/library/annual_report/</a></p>
Development of Policies on Information Provision to Stakeholders	The Company specifies basic policies, including provision of information to stakeholders, in the Daiichi Sankyo Group Corporate Conduct Charter, Daiichi Sankyo Group Employee Code of Conduct and the Code of Conduct for Compliance.
Others	<p>&lt;Policy on Diversity of Human Resources&gt;</p> <p>Please refer to the above “Supplementary Principle 2.4.1 Ensuring Diversity in Promotion to Core Human Resources”, “Disclosure Based on the Principles of the Corporate Governance Code”, “1. Basic Views” in “Basic Views of Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information.”</p>

## **IV. Matters Related to the Internal Control System**

### **1. Basic Views on Internal Control System and the Progress of System Development**

Concerning systems for ensuring compliance with laws and ordinances and the Company's Articles of Incorporation in the execution of duties by Directors and other systems for securing appropriateness of duties, the Company has resolved the basic policies at the Board Meeting held on March 31, 2017 as follows;

- a. Systems for Ensuring Compliance with Laws and Regulations and the Company's Articles of Incorporation in the Execution of Duties by Directors
  - The Company shall establish a compliance system by stipulating the Daiichi Sankyo Group Corporate Conduct Charter, Daiichi Sankyo Group Employee Code of Conduct, etc. as the code of conduct for Directors and employees and setting up a meeting body, including outside experts.
  - The Company shall appoint Outside Directors for the strengthening and enhancing the function to supervise management.
  - Audit & Supervisory Board Members shall audit the execution of duties by Directors, process and contents of decision making and the status of the establishment and implementation of internal control systems.
- b. Systems Regarding the Retention and Management of Information Relating to the Execution of Duties by Directors
  - The Company shall establish information security systems, and properly store and manage information relating to the execution of duties by Directors, including the minutes of the Board, in accordance with laws, ordinances and internal regulations of the Company.
- c. Rules and Other Systems for Risk Management
  - The Company shall stipulate various internal regulations to establish risk management systems.
  - The Internal Audit Department shall audit the status of operation of the systems mentioned above.
- d. Systems for Ensuring the Efficient Execution of Duties by Directors
  - The Company shall form a Executive Management Committee meeting - consisting of Directors excluding Outside Directors, and executives appointed by CEO who are responsible for the main regions, corporate bodies and functions - which shall deliberate important matters for strategic decision-making by the CEO. The Company shall also set up an approval system as a means of decision-making.
  - The Company shall introduce a corporate officer system in consideration of speedy decision making and execution of duties.
- e. Systems for Ensuring Compliance with Laws and Ordinances and the Company's Articles of Incorporation in the Execution of Duties by Employees
  - The Company shall establish a compliance system by stipulating Daiichi Sankyo Group Corporate Conduct Charter, Daiichi Sankyo Group Employee Code of Conduct, etc. as the code of conduct for Directors and Audit & Supervisory Board Members and employees and setting up a meeting body, including outside experts.
  - Vice Presidents responsible for the main regions, corporate bodies and functions who receive orders from the CEO in accordance with the "Daiichi Sankyo Group Global Management Policy" and persons in charge who receive orders from the President in accordance with the "Organizational Management Regulations" shall manage duties in their charge and supervise, manage and direct members of their business units.
  - Each of the functions related to the improvement of systems concerning personnel management, risk management, etc. shall convey policies to manage and guide each department.

- The Internal Audit Department shall implement internal audit of the status of compliance with laws and ordinances, and the Articles of Incorporation and internal regulations.
- f. Systems for Ensuring the Proper Operation of the Group, Consisting of the Company and Its Subsidiaries
- The Company shall establish “Daiichi Sankyo Group Global Management Policy” and “Internal Control System Establishment Regulations” to clarify the management control system of the Daiichi Sankyo Group, and transmit management policies, etc. to Group companies and set a system in place for receiving reports on management and financial results from the Board of group companies.
  - The Company shall establish “Daiichi Sankyo Group Group Company Management Regulations” to clarify responsibilities and authorities of each group company.
  - The Company shall establish “Daiichi Sankyo Group Risk Management Policy” to develop the Daiichi Sankyo Group risk management system.
  - The Company shall establish Daiichi Sankyo Group Employee Code of Conduct, etc. to develop it to all Group companies and also arrange the Group’s compliance promotion system to keep all Group companies informed about it.
  - The Company shall establish “Internal Control Regulations on Financial Reporting” and ensure the reliability of financial reporting by properly implementing those regulations.
  - The Company shall establish “Internal Audit Regulations” and implement internal audit on Group companies.
- g. Systems Regarding Employees Assisting Duties of Audit & Supervisory Board Members, when Audit & Supervisory Board Members Ask to Appoint Such Employees
- The Company shall appoint full-time staff who assist with the duties of Audit & Supervisory Board Members.
- h. Matters Regarding the Independence of the Employees Specified in the Preceding Paragraph (g) from Directors and Ensuring of Effectiveness of Instructions by Audit & Supervisory Board Members
- Full-time staff assisting Audit & Supervisory Board Members shall be independent of Directors, and shall execute duties under the directions and orders from Audit & Supervisory Board Members.
  - Personnel changes, performance appraisal, etc. of full-time staff assisting Audit & Supervisory Board Members shall require prior consent of Audit & Supervisory Board.
- i. Systems of Reporting to Audit & Supervisory Board Members of the Company by Directors and Employees of the Company and Subsidiaries and Other Systems Regarding Reporting to Audit & Supervisory Board Members of the Company
- The Company shall establish a system under which when Directors find facts that could badly hurt the Company, they shall immediately report the facts to Audit & Supervisory Board Members.
  - Audit & Supervisory Board Members of the Company shall receive reports on the status of execution of duties from executives and employees of the Company as well as executives and employees of Group companies.
  - Audit & Supervisory Board Members of the Company shall attend the Executive Management Committee meeting and other important meetings.
  - To verify process and details of approvals, the Company shall establish Audit & Supervisory Board Members as permanent recipients of approval document notification.
- j. Other Systems for Ensuring the Effective Audit by Audit & Supervisory Board Members
- Audit & Supervisory Board Members of the Company shall have meetings with Representative Directors on a regular basis to check management policies and exchange views concerning important issues related to auditing.
  - Audit & Supervisory Board Members of the Company shall exchange information with Audit & Supervisory Board Members of the Group companies and closely cooperate with them.
  - Audit & Supervisory Board Members of the Company shall coordinate and exchange views with external auditors and the Internal Audit Department.

- The Company shall not treat unfairly any person who reports under the second item in the preceding paragraph (i) or any person who reports according to Daiichi Sankyo Group Employee Code of Conduct, etc. because of the fact of such reporting.
  - The Company shall bear expenses that may be occurred in executing the duties of Audit & Supervisory Board Members.
- k. Basic Ideas About and Systems for Eliminating Antisocial Forces
- The Company shall take a firm stance toward antisocial forces and organizations that threaten the order and safety of civil society. To prevent antisocial forces and organizations from being involved in the Company's management activities and to stop such forces and organizations from harming the Company, the Company shall stipulate, as its basic policy, in the Daiichi Sankyo Group Corporate Conduct Charter, etc. that it shall thoroughly forbid relations with antisocial forces and organizations. In addition, the Company shall establish an organizational structure to that end, and strive to eliminate relations with antisocial forces and organizations through means such as collecting information in cooperation with the police and other bodies, and conducting activities to train Directors and other Officers, and employees.

## **Overview of Status for Implementing Internal Control Structure (Fiscal 2021)**

### [Matters Regarding Risk Management]

- The Group defines risks as those factors that will prevent the Group from attaining its organizational goals and targets. The Group has established the "Daiichi Sankyo Group Risk Management Promotion Regulations," and is promoting risk management through such means as taking steps to address risks inherent in corporate activities and rationally controlling the potential impacts should risks actualize. In this manner, we seek to minimize the adverse impacts of risks on people, society, and the Group.
- CFO oversees group-wide risk management as the chief risk management officer, promotes risk management education, and operates the risk management system. The Company takes precautions to prevent the actualization of risks with the potential to significantly impact the management of the Company and to minimize their damage. At meetings of the Board and Executive Management Committee meetings, etc. we identify such risks and regularly monitor and assess the status of them. Moreover, the heads of divisions formulate countermeasures through coordination with the chief risk management officer.
- The Group defines "Crisis Management" as implementations of measures and responses to minimize the impact and damage in the event of a crisis. The Group establishes the system in which we can rapidly and appropriately respond to crises, by assigning the Crisis Management Officer and Initial Crisis Management Officer and defining the reporting routes and rules in advance.
- In the business continuity plan (BCP), which is part of crisis management, measures against specific crises (natural disasters, facility accidents, infectious diseases including new types of influenza, IT system damage) are outlined; additionally, for the purpose to adapt to diversification and intensification of external risk factors and globalization of supply chains, the "Daiichi Sankyo Group BCP Policy" and "BCP Regulations" have been established to identify priority risk items in supply chains and to design both measures to prevent actualization and countermeasures for early recovery in cases when such risks materialize.

### [Matters Regarding Compliance]

- The Group has defined the "Daiichi Sankyo Group Corporate Conduct Charter" and the "Daiichi Sankyo Group Employee Code of Conduct" as global principle and code of conduct for all executives and employees of the Group. The progress of promoting compliance is annually reported to Representative Directors and the Corporate Ethics Committee (including an outside specialist; the same shall apply hereafter) and, if there is an issue, a system is in place to make a proposal for implementing measures to resolve such issue.
- The Company has set up a whistle-blowing hotline in the Legal Department and the entrusted external specialist firm that employees of domestic and overseas Group companies and business partners, etc. can use. Overseas

Group companies have also set up similar hotlines, and material compliance violations will be reported to the Corporate Ethics Committee, etc.

- The Company has established a Global Compliance Advisory Committee as an advisory organ to the Corporate Ethics Committee, which consists of compliance officers of overseas Group companies, in order to ensure the effectiveness of the global compliance system.

[Matters Regarding Management of Subsidiaries]

- Among the nine Directors of the Company, four are Outside Directors. Since June 2020, an Outside Director has been appointed chairperson of the Board. Outside Directors are elected in accordance with the Directors Regulations, including the Criteria for Independence, from individuals with expertise, experience and insight in a variety of fields. The Nomination Committee and the Compensation Committee are established as advisory bodies to the Board, constituted of four Outside Directors. Outside Directors contribute to enhancement of the Board decision-making functions and management transparency, and oversight functions, through their statements made at the Board Meetings, the Nomination Committee, and the Compensation Committee.
- Based on the “Daiichi Sankyo Group Management Committee Policy,” the Company holds Executive Management Committee meetings as appropriate to deliberate on important matters and make decisions related to the strategy, policy, and execution of group management. In addition, the “approval policy” is established regarding matters to be decided by the CEO and the delegation of authorities on business executions concerning the Group’s strategy and policy to each head of organization; and by appropriately implementing this policy, the Company realizes smooth and speedy business operation.
- The Company follows “Daiichi Sankyo Group Global Management Policy” and “Organizational Management Regulations,” and other rules; Vice Presidents responsible for the main regions, corporate bodies and functions who receive orders from the CEO, and persons in charge supervise, manage and direct members of their business units, while conveying company-wide policies to them on a regular basis, as well as receiving reports on the management and results from them.

[Matters Regarding Audit by the Internal Audit Department]

- The Company has established the Internal Audit Department as an internal audit department independent from departments engaging in business execution, which comprises a certain number of staff members with special qualifications, including a certified internal auditor, and the Company maintains a system in which effective internal control is ensured by having the Internal Audit Department perform monitoring from a fair and independent position and report on risks and issues to management.
- With the purpose of contributing to the effective achievement of management targets, internal audits are performed to evaluate the business activities of organizations covered in the audits from various perspectives, including the effectiveness and efficiency of business operations and compliance, and the results of audits are reported to CEO, the Board, and other relevant parties.
- Audits of the Company are based on a comprehensive auditing approach and cover the entire organization, including Group companies, and the Internal Audit Department decides where and what to audit based on its risk assessment, risks recognized by management, audit intervals and other factors, and performs audits by organization or audits across the organization by issue.
- The Internal Audit Department receives reports of audit results from Group companies that have an audit organization and identifies risks and issues of the Group.
- The Internal Audit Department continually conducts self-evaluations of audit quality, as well as receiving evaluations of audit quality by an external specialist institution on a regular basis as part of its efforts to enhance the quality of audits.

[Matters Regarding Audit by Audit & Supervisory Board Members]

- Directors and employees of the Company, as well as executives and employees of Group companies, report the

status of the execution of operations to Audit & Supervisory Board Members of the Company as necessary. The Company has a system in place, under which when Directors of the Company find facts that could seriously damage the Company, they can immediately report the facts to Audit & Supervisory Board Members of the Company.

- Audit & Supervisory Board Members of the Company hold regular meetings for opinion exchanges with Directors, including the Representative Directors of the Company, while attending important meetings and reviewing important documents. They also coordinate closely with the Internal Audit Department and accounting auditors of the Company, and secure a system under which Audit & Supervisory Board Members can conduct an audit effectively.
- Full-time Audit & Supervisory Board Members of the Company concurrently serve as part-time Audit & Supervisory Board Members of major domestic Group companies, and they attend the Board Meetings and Executive Management Committee meetings of those companies and check those companies' status of the establishment and implementation of its internal control system.
- To enhance the audit functions of Audit & Supervisory Board Members, full-time staff members, who are independent from the execution of operations, assist with the duties of Audit & Supervisory Board Members.

## **2. Basic Views on Eliminating Anti-Social Forces**

The Group's basic ideas about and systems for eliminating antisocial forces are set in its basic policy on establishing internal control structure as follows.

The Company shall take a firm stance toward antisocial forces and organizations that threaten the order and safety of civil society. To prevent antisocial forces and organizations from being involved in the Company's management activities and to stop such forces and organizations from harming the Company, the Company shall stipulate, as its basic policy, in the Daiichi Sankyo Group Corporate Conduct Charter, etc. that it shall thoroughly forbid relations with antisocial forces and organizations. In addition, the Company shall establish an organizational structure to that end, and strive to eliminate relations with antisocial forces and organizations through means such as collecting information in cooperation with the police and other bodies, and conducting activities to train Directors and other Officers, and employees.

## V. Others

### 1. Matters Related to Defense against Takeovers

Adoption of Anti-Takeover Measures	Not Adopted
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#### Supplementary Explanation

The Company believes that it is the shareholders to decide whether or not to respond to any moves toward large-scale acquisition of Company share. The Company does not deny the potentially significant impact that transfers of management control may have in terms of stimulating business enterprise. In line with this thinking, the Company has not prepared any specific takeover defenses.

Nonetheless, the Company would consider it a self-evident duty of the Company management to oppose any takeover plans whose aims were generally considered inappropriate (such as schemes to ramp up the share price) or that would otherwise be deemed detrimental to the value of the Company or the mutual interests of shareholders. Accordingly, the Company will continue monitoring closely share transactions and changes in shareholders. In the event any moves toward large-scale acquisition of Company share are noticed, the Company would evaluate any takeover proposal with outside experts and determine carefully the impact of such on the value of the Company and the mutual interests of shareholders. If any proposal were deemed detrimental to such interests, the Company would institute appropriate anti-takeover measures in response to individual cases.

### 2. Other Matters Concerning to Corporate Governance System

The Company's basic policy concerning disclosure of information related to the Company or group companies is to make disclosures to shareholders and other investors in a timely, appropriate and proactive way based on laws and regulations, the regulations of the stock exchange, and internal company regulations relating to information management and disclosure (Timely Disclosure and Information Management Regulations). Through this policy, the Company strives to earn trust as a company that is highly transparent and open to the society.

#### 1) Financial information

The information for financial statements, etc. (including quarterly financial statements) is referred to the Board by the Finance and Accounting department. Upon resolution by the Board, the Corporate Communications Department works jointly and in consultation with the related departments to compile a disclosure proposal. The disclosure is then made upon approval by the President and CEO.

#### 2) Information other than financial information

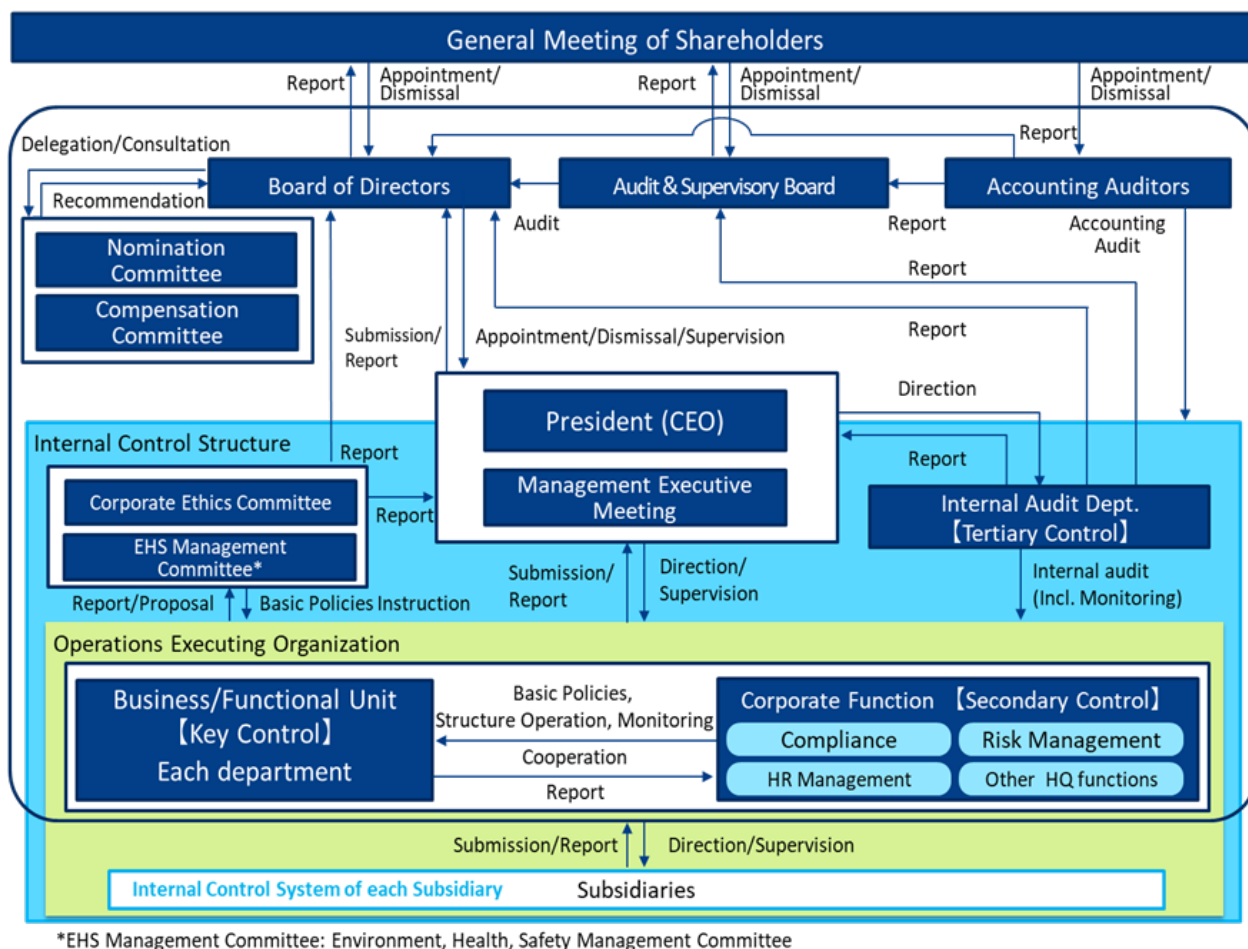
Information other than financial information includes those relating to matters to be decided that are reported or referred for resolution to the Board from the relevant departments and resolved at a Board Meeting, and those related to matters occurred that are reported to the President and CEO and Corporate Communications Department from the relevant departments. Based on such resolutions or reports, the Corporate Communications Department works jointly and in consultation with the related departments to compile a disclosure proposal. The disclosure is made upon approval by the President and CEO.

#### 3) For the purpose of conducting fair, timely and appropriate disclosure of information; the Board supervises the execution of duties by the President and CEO, Audit & Supervisory Board Members conduct an audit from the perspective of legitimacy and soundness, and the Internal Audit Department periodically conducts audits of the conduct of operations.



## [Reference Material: Schematic Diagram]

### Overview of the Corporate Governance Structure



### Overview of the Company's Executive Compensation System

#### Decision Policy regarding the Content of Individual Compensations of Directors

##### 1. Compensations policy

Compensations to Directors are designed based on the following ideas.

- (1) Compensation system with a compensation level that can secure and maintain excellent human resources
- (2) Compensation system that motivates sustainable growth over the mid to long term and contributes to the increase of the value of the Company and shareholder value
- (3) A transparent, fair and rational compensation system accountable to stakeholders

##### 2. Level of compensations

The level of compensations to Directors is set aiming to provide the high level compensations in the industrial circle, referring to the levels of other companies learned from the surveys of external specialist institutions. Specifically, the Company will mainly compare companies within the top 100 companies by market capitalization among the companies listed on the Tokyo Stock Exchange, and also refer to the levels of major domestic pharmaceutical companies.

### 3. Composition of compensations

#### Directors (excluding Outside Directors)

It is designed to encourage management efforts from a short-term to mid-long-term perspective and appropriately to be able to reward the results by the composition of four compensations such as basic, fixed compensation, annual performance-based bonuses, which is a variable compensation serving as short-term incentive, and restricted share-based compensation and mid-term performance-based share compensation serving as long-term incentive. Retirement benefit system is not adopted.

#### Outside Directors

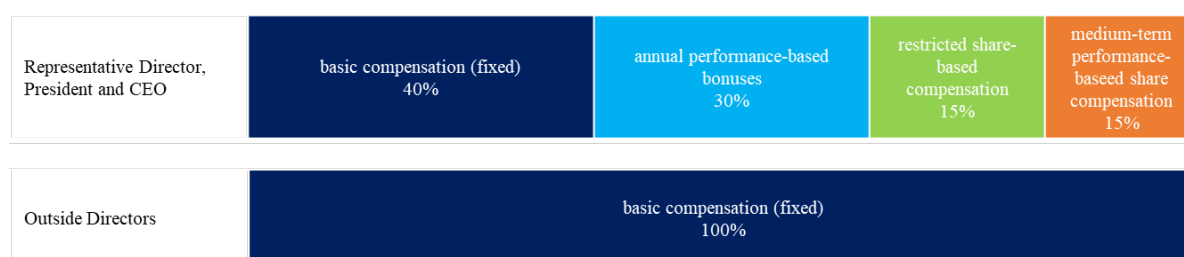
Compensation to Outside Directors who are in charge of management oversight and are not in the position to take charge of business execution is only basic, fixed compensation. Incentive bonuses and retirement benefit system are not adopted.

### 4. Ratio of the composition of compensations

The composition of compensations to Representative Director, President and CEO is designed to have its ratio of 40% as basic compensation, 30% as annual performance-based bonuses, 15% as restricted share-based compensation and 15% as mid-term performance-based share compensation when achieving the performance target of 100%.

The ratio of the composition of compensations of other Directors (excluding Outside Directors) will be determined in consideration of the responsibilities and the level of compensation according to the ratio of composition of compensation of Representative Director, President and CEO.

Compensation to Outside Directors is only basic, fixed compensation.



### 5. Basic compensation

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

### 6. Annual performance-based bonuses (short-term incentive)

The amount of annual performance-based bonuses, which are short-term incentive remuneration, will be decided according to the degree of achievement of the earnings forecasts announced at the beginning of the fiscal year about revenue, core operating profit ratio, and profit attributable to owners of the Company, and the evaluation of goals and tasks which each Director set at the beginning of the fiscal year.

The formula for calculating the amount of payment, and the evaluation ratio and mechanism of annual performance-based bonuses are as follows.

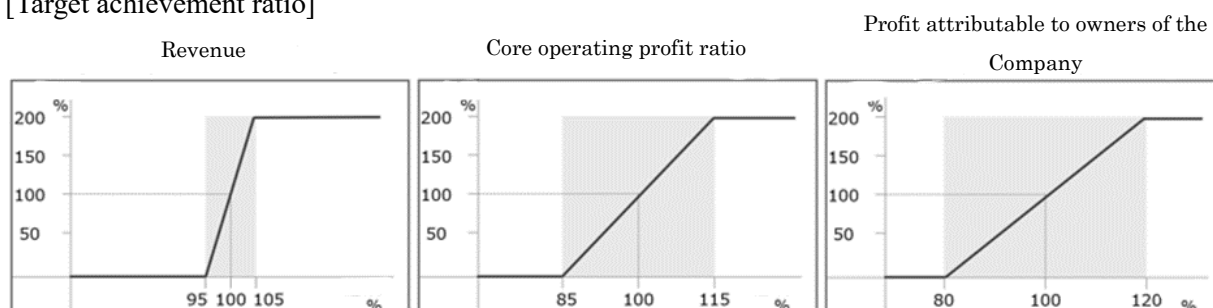
(1) Calculation formula for annual performance-based bonus

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

(2) Achievement of annual targets (evaluation ratio and mechanism)

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

[Target achievement ratio]



(3) Performance evaluation

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

(i) The performance evaluation of the Chairperson and the President will be determined after deliberation at the Nomination and Compensation Joint Committee.

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

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

## **7. Restricted share-based compensation (Long-term incentives)**

The Company grants, every year in principle, shares with transfer restriction until the time immediately after resignation or retirement of a Director. The objective of the system is to give incentives to sustainably increase the value of the Company and to promote sharing the same value between shareholders and Directors for as long as possible by having the restricted shares. The total number of the ordinary shares of the Company to be issued or disposed of is 240 thousand shares or less per year (if a share split of the Company's ordinary shares (including a gratis allotment of the Company's ordinary shares) or a share consolidation occurs, or if there is any other reason that requires adjustment of the total number, the Company will adjust the number in a reasonable range as necessary according to the split or consolidation ratio.).

When restricted share-based compensation is paid, monetary compensation receivables will be paid to Directors based on a resolution of the Board of the Company, and Directors will pay all of the paid monetary compensation receivables as in-kind contribution assets of the Company's ordinary shares and will be issued them.

When delivering the Company's ordinary shares, a restricted share allotment agreement will be concluded between the Company and each Director, and Directors shall not freely transfer, set security interests or otherwise dispose of the Company's ordinary shares allotted under the allotment agreement for a certain period of time specified in the allotment agreement.

In the allotment agreement, (1) if a Director retires or resigns during the transfer restriction period, the Company shall acquire all of the restricted shares without consideration unless otherwise such the retirement or resignation is admitted by the Board that it has justifiable reasons such as expiration of terms of office, death or others, and (2) if a Director retires or resigns due to expiration of term, death or other reasons deemed justified by the Board during the service provision period, the Company shall rationally adjust the number of shares for which the restrictions will be released and the timing of the release as necessary and acquire the restricted shares which the restrictions will not be released free of charge, will be included.

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

## **8. Mid-term performance-based share compensation**

Mid-term performance-based share compensation, which is a long-term incentive compensation, will be a trust-type share compensation system that has the nature of performance share (performance-based share compensation) for Directors (excluding Outside Directors) and the Corporate Officers (hereinafter, "the Target Directors & Officers") as compensation based on the achievement of the performance of the 5-year business plan in order to promote management with an emphasis on increasing shareholder value over the mid to long term.

The trust period for the fiscal year covered by the 5-year business plan (hereinafter, the "Target Period," and the initial Target Period is 5-year business plan (fiscal 2021-fiscal 2025)) will be set.

- The number of shares of the Company, etc. to be delivered, etc. to the Target Directors & Officers shall be determined at a certain time every year based on share delivery points calculated by multiplying the number of points accumulated over a Target Period, which are awarded according to their position, by the performance-based coefficient. The performance-based coefficient shall be determined within the range between 0% and 200% according to the degree of achievement of targets of the Company's performance indicators set forth for the final fiscal year of the Target Period (For the initial Target Period, revenue, core operating profit ratio before research and development expenses, ROE, research and development progress, ESG indicators, and relative TSR set forth in Daiichi Sankyo's 5-year business plan announced in fiscal 2021 shall be adopted), and one ordinary share in the Company per point shall be delivered. During the trust period, if a share split of the Company's ordinary shares (including a gratis allotment of the Company's

ordinary shares) or a share consolidation occurs, or if there is any other reason that requires adjustment of the number of points, Daiichi Sankyo will adjust the number of points in a reasonable range as necessary according to the split or consolidation ratio. The total number of ordinary shares, etc. of the Company to be delivered to the Target Directors & Officers during the Target Period will be limited to the number obtained by multiplying the maximum number of 0.5 million shares per fiscal year by the number of fiscal years of the Target Period (the initial Target Period is 2.5 million shares for the five fiscal years). As a general rule, when the Target Directors & Officers receive the Company's shares, etc., after their retirement, 50% of the shares to be delivered will be converted into money and be provided for the purpose of allocating to tax payment funds such as withholding income tax. Shares and monetary payments will be provided through the executive compensation BIP (Board Incentive Plan) trust of Mitsubishi UFJ Trust and Banking Corporation.

With justifiable reason, when it is not possible to establish the trust, amend the trust agreement, make additional contribution to the Trust, or when Target Directors & Officers are non-resident of Japan, or with any other justifiable reason, that delivery of the Company's Shares, etc. to Target Directors & Officers from the trust is not possible, the Company may, within the upper limit of money to be contributed by the Company, make monetary payments of the amount reasonably calculated based on the number of the Company's Shares, etc. that should be delivered in accordance with the plan and share price, etc., to Target Directors & Officers.

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

Relative TSR	15%	0-200%	Upper limit: Comparison result with TOPIX including dividend * 150% Target: Comparison result with TOPIX including dividend * 100% Lower limit: Comparison result with TOPIX including dividend * 50%
Total	100%	0-200%	

### 9. Clawback provision

The Company will set forth a clawback clause that can request for the refund of part or all of the compensation received for annual performance-based bonuses and mid-term performance-based share compensation by the resolution of the Board after consultation with the Compensation Committee in the event that a material accounting error or fraud, or record of a significant impairment loss occurs. This clause will be applied from the fiscal 2021 annual performance-based bonus and mid-term performance-based share compensation and will be applied for all periods thereafter.

### 10. Compensation governance and decision-making process

The Compensation Committee has been established as an advisory body to the Board to ensure the appropriateness of compensation for Directors and the Corporate Officers and the transparency of the decision-making process. The Compensation Committee consists of only Outside Directors, with one Outside Audit & Supervisory Board Member participating as an observer, and the chairperson is appointed by mutual election of the members.

The Compensation Committee fully discusses the compensation system, the composition of the compensation, verification and review of compensation levels for each position, target setting and result confirmation of annual performance-based bonuses and mid-term performance-based share compensation, and allocation of restricted share.

The amount of compensation for each individual Director of the Company is first deliberated by the Compensation Committee, and then based on the deliberation results, each type of the compensation will be determined by a resolution of the Board within the total amount of compensation resolved at General Meeting of Shareholders.

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

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

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

Compensation to Audit & Supervisory Board Members is only fixed and basic in view of the role of

management oversight and no position to take charge of business execution.

The level of basic compensation is set aiming to provide high level compensations in the industrial circle, referring to the levels of other companies learned from the surveys of external specialist institutions. Specifically, a group of companies is selected for comparison from the top 100 listed companies on the Tokyo Stock Exchange with the largest market capitalization. The Company also refers to the levels of other leading domestic pharmaceutical companies.

The amount of the compensation for each individual Audit & Supervisory Board Member has been determined through the discussions and with the unanimous consent in Audit & Supervisory Board meetings within the total amount of compensation approved by General Meeting of Shareholders.