

CEO Message

Moving to the Next Stage, Confident in Becoming a Global Pharma Innovator with Competitive Advantage in Oncology



Representative Director, Executive Chairperson & CEO

Introduction

To our stakeholders, I would like to express my sincere gratitude for your continuing support and understanding of our business.

In FY2023, the third year of our current 5-year Business Plan (FY2021-FY2025), we made significant progress in expanding the sales and obtaining new indications for our main product, Enhertu^{®*1}. The development of Dato-DXd^{*2} and HER3-DXd^{*3}, which will follow Enhertu, has also progressed smoothly towards their market launch. Additionally, we have commenced a strategic alliance with Merck & Co., Inc., Rahway, NJ, USA (Merck) for HER3-DXd, I-DXd^{*4}, and DS-6000^{*5}, of which we have accumulated favorable clinical data, further enhancing the product potential. As a result, the development plans for the three partnered products have been rapidly expanding. With the smooth progress of the current 5-year business plan, we have gained greater confidence in achieving our FY2025 target of becoming a “Global Pharma Innovator with Competitive Advantage in Oncology.” We are now moving towards a new stage to realize our 2030 Vision of becoming an “Innovative Global Healthcare Company Contributing to the Sustainable Development of Society.” While striving to expand our revenue and profit, we are making investments for future growth. We are fully committed as a company to continuously enhancing our corporate value.

The successful establishment of the strategic alliance with Merck can be seen as evidence of the smooth start of the new regime under our new president, Mr. Okuzawa. As our company rapidly transforms into a global healthcare company, leadership that drives both growth strategies and internal transformation with a long-term perspective is crucial, along with effective business execution. President Okuzawa possesses both perspectives and ca-

pabilities, and in FY2023, he has driven further transformation to strengthen the executive structure and expand our global business. As global attention towards our company increases, we should meet the expectations of various global stakeholders and fulfill our corporate responsibilities appropriately. However, we will continue to work together as a group to achieve our Purpose, Mission, and 2030 Vision.

Looking at society, we face various changes and numerous challenges towards a sustainable society, such as the intensification of weather disasters and damage to infrastructure due to climate change, conflicts in various regions including the prolonged Russian invasion of Ukraine, and the acceleration of digital transformation (DX) and changes in life and work due to AI. In particular, the COVID-19 pandemic, which emerged in 2020, has left a significant mark on our lives, reinforcing the recognition that a sustainable society cannot be achieved without the health of its people. We have once again embraced the importance of our purpose, “Contribute to the enrichment of quality of life around the world,” and are committed to practicing purpose-driven management.

*1 anti-HER2 ADC, Trastuzumab Deruxtecan (generic name)

*2 anti-TROP2 ADC, Datopotamab Deruxtecan (generic name)

*3 anti-HER3 ADC, Patritumab Deruxtecan (generic name)

*4 anti-B7-H3 ADC, Ibinatamab Deruxtecan (generic name)

*5 anti-CDH6 ADC, raludotatug deruxtecan (generic name in Japan not yet determined)

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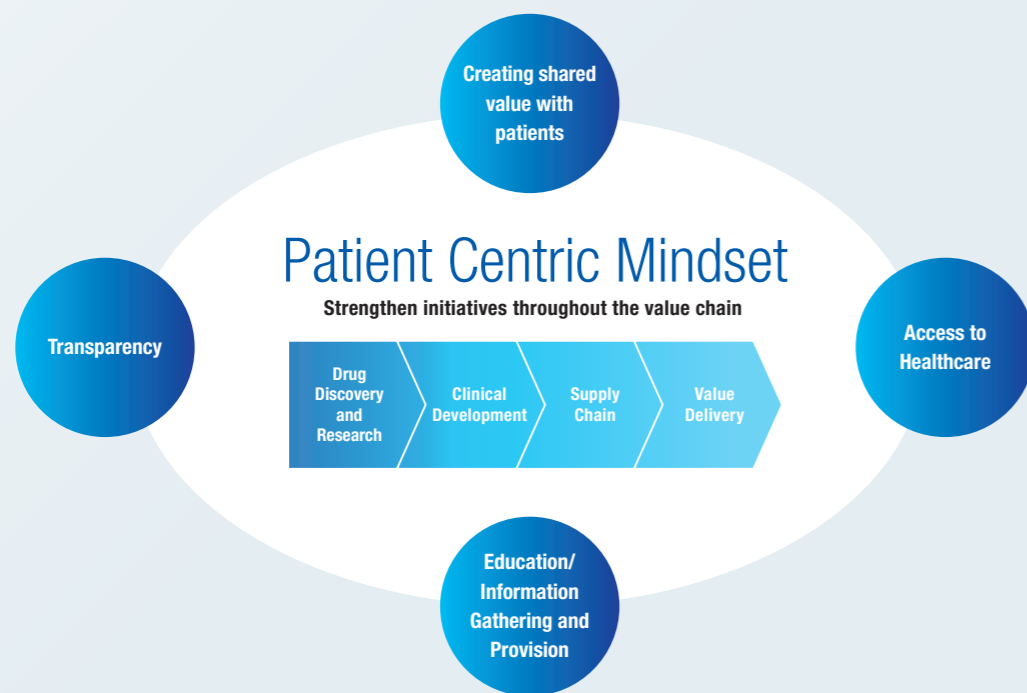
Practicing Purpose-Driven Management

For over 100 years, we have created numerous new drugs and delivered them to patients suffering from illnesses. We always consider what we can do for patients and practice purpose-driven management. When infectious diseases were a social issue, we contributed by introducing antibiotics. As the number of patients with lifestyle-related diseases increased, we released treatments for hypercholesterolemia, hypertension, and anticoagulants, thereby aiding patients. More recently, in response to the medical needs for cancer and emerging and re-emerging infectious diseases, we have launched and provided anti-cancer drugs and COVID-19 vaccines. By continuing the legacy of our founding DNA in drug discovery, we strive to continuously enhance Daiichi Sankyo's commitment to society.

We believe that this DNA of drug discovery is embodied in "Science & Technology", which we position as our greatest strength. The technology of drug development and the successful experiences of drug discovery have been cultivated and passed down within our organization, fostering the *craftsmanship* for creating drugs. Our Group's research institutes have an organizational culture that allows researchers to challenge uncertain and unexplored areas driven by their scientific curiosity and hypotheses. Despite facing numerous

failures, we continue to take on valuable challenges, share the lessons learned, and apply them to future endeavors. The accumulation of this cycle has led to the buildup of unique knowledge and experience, which serves as the source of continuous innovation.

The passion supporting researchers who challenge innovation is driven by a "Patient Centric Mindset." If we can deliver the new drugs we create more quickly and to more patients, providing effective treatments, it will improve their lives and enhance the health of society as a whole. This is the very essence of practicing our Purpose. By positioning "compassion for patients and passion for innovation" at the core of our corporate activities, and ensuring that not only researchers but also individuals across all organizations embrace "Patient Centric Mindset," we will promote Patient Centricity initiatives throughout the entire value chain and practice purpose-driven management.



Towards a Innovative Global Healthcare Company

Last year, we entered into a strategic alliance with Merck for three DXd ADC products, which we believe was the best choice for achieving sustainable growth. For HER3-DXd, I-DXd, and DS-6000, we have accumulated favorable clinical data and have moved to a stage where we plan to maximize the value of these products. In addition, as many oncology companies are focusing on the development of ADCs and the development competition intensifies, the need to enhance capacity, resources, and capabilities to maximize the DXd ADC franchise has increased. Through joint development and co-promotion with Merck, we aim to maximize the value of these products. This alliance will enable us to "deliver innovative drugs to more patients more quickly," which aligns with our group's Purpose, "Contribute to the enrichment of quality of life around the world," and our Mission, "Create innovative pharmaceuticals addressing diverse medical needs." The alliance will accelerate the development of the three DXd ADC products, and by leveraging Merck's sales network, we will expand the countries and regions where they are marketed.

At the same time, we recognize that we are entering a period of rapid business expansion and globalization at an unprecedented level, necessitating the expansion and restructuring of our management foundation in various areas, including human resources and organizational structure. To promote global management, we are transforming our organization from regional management to global cross-functional management. We are building a structure to quickly share success stories and other key information from all organizations globally. Additionally, we are appointing many international talents to the roles of global heads of various functions, thereby strengthening our management foundation to enable rapid decision-making with diverse perspectives and a global outlook. In April of this year, we launched the "DS Academy" as a program to develop future global leaders. To ensure that

Daiichi Sankyo provides value continuously and globally, lectures are given by our own executives in addition to outside experts. The program will focus on understanding the history of the Daiichi Sankyo Group as a century-old company and its DNA of innovation. We plan to develop the next generation of leaders by enhancing advanced management skills and the ability to view the business from a long-term and ultra-long-term perspective.

Amidst such rapid globalization and organizational transformation, the foundation of our group management towards realizing our Purpose and Vision is our "Core Behaviors," consisting of three modes of behaviors: "Be Inclusive & Embrace Diversity," "Collaborate & Trust," and "Develop & Grow." We are fostering a corporate culture where employees around the world, sharing common behaviors, can cooperate and trust each other, aiming to create a comfortable workplace where each individual's abilities and skills can be fully utilized. As part of our efforts to foster these behaviors, we hold discussions at the executive level based on the results of our annual engagement survey, and I communicate our global commitment to all employees. In FY2023, we promoted initiatives under the theme of "Fostering a Culture of Learning" and shared best practices through the Core Behavior Awards, where we recognized employees who exemplify the Core Behaviors. We believe that by having each employee globally collaborate towards common goals, we can continuously create innovative pharmaceuticals and provide better value to our customers.

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Value Creation by the Daiichi Sankyo Group

Our Group leverages “Science & Technology” as its greatest strength to continuously create innovative pharmaceuticals and provide medicines that meet diverse needs. We practice long-term management to sustain the value creation model of our Group. Our strength in “Science & Technology” is the source of our sustainable value creation, and our DNA of drug discovery has been continuously passed down throughout the long history of our Group. Since last year, we have been promoting the Innovation Hub concept with the aim of actively incorporating the world’s most advanced technologies. Through the establishment of research centers in the Boston area in the U.S., a center of research innovation in life sciences, and in Europe, we plan to drive innovation in our research activities by leveraging external partnerships and resources.

Human resources are the most important capital driving sustainable value creation based on our strength in “Science & Technology.” To globally expand our oncology business, we believe that acquiring and developing diverse talent and implementing effective talent management are the sources of our competitive advantage. We are currently strengthening our

human resources foundation, including our global organizational structure and human resources systems. In Japan, we are promoting initiatives to transform into a more productive and efficient organization in response to changes in the Japanese business environment. In addition, we are advancing the development of specialized professionals, including global professionals, bio-professionals, and DX professionals.

As a pharmaceutical company conducting business globally, we must address unmet medical needs, improve access to medicines, respond to global environmental issues, maintain high ethical standards as a life science company, and meet various social demands and expectations related to ESG. We must also sincerely address and respond to matters specific to each country and region. Therefore, we are promoting dialogue with stakeholders, including patients and investors, to flexibly respond to new social issues and changes in the social environment and to incorporate external perspectives into our management strategy. Through dialogue, we identify key issues that need to be addressed for sustainable growth as Materiality. We practice initiatives that lead to the sustainable development of society and business opportunities, such as creating innovative pharmaceuticals and expanding access to healthcare. By creating shared value with stakeholders, I believe we can provide them with the social and economic value we generate, and reinvesting it as capital in a circular process will achieve sustainable growth for both the company and society. President Okuzawa often expresses the sustainable growth of the company and society with the term *sanpoyoshi* (Three-Way Good), and I completely agree. Without creation of shared value with stakeholders, sustainable growth of the company cannot be achieved.



CEO Commitment for the Future

For our sustainable growth towards achieving our Purpose, I believe that enhancing our greatest strength, “Science & Technology,” developing human resources, and fostering “One DS Culture,” which will be the core of our value creation, are of utmost importance. Also linked to the practice of purpose-driven management, the Patient Centric Mindset is the driving force behind the growth of our company and the personal development of employees. I believe it is essential to further strengthen this mindset globally and cross-functionally. When I was young, I had the opportunity to work in a university pathology department, where I realized the importance of a patient-centered approach. In that setting, various departments within the hospital, including pathology, collaborated to ensure that physicians could provide the best diagnosis and treatment. This collaboration in the clinical setting played a crucial role in the diagnosis and treatment of patients. At the center of this collaboration was always the “patient.” As someone who believed that the goal of a pharmaceutical company was to create highly effective and safe drugs, this experience made me strongly recognize that our goal is not merely to manufacture pharmaceuticals, but to contribute to the “patient.”

With the new leadership under President Okuzawa, our company has entered an era of transformation and growth, driven by rapid business expansion and globalization. Additionally, the societal and business environment surrounding our Group is continuously changing, increasing the expectations and responsibilities from all our stakeholders. In such an environment, I am reaffirming the importance of listening to the voices of all our stakeholders, and integrating the various demands and expectations from society into our corporate management, in order to achieve sustainable growth for both the company and society.

For our shareholders and investors, we regularly hold briefings on R&D, Enhertu business, and ESG. We will continue to enhance information disclosure and dialogue in the future. Looking ahead to our 2030 Vision, we will further deepen discussions on the evolution of Materiality, the articulation of social value, and the value we co-create with stakeholders, including patients. As a company, we are united in our efforts to realize our Purpose.

