

Dialogue on Human Capital



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Talent Strategy of the Daiichi Become an Innovative Global

We had a discussion between Outside Directors and Inside Directors regarding the challenges and future initiatives of Daiichi Sankyo Group's human resources strategy towards achieving the 2030 Vision of being an innovative global healthcare company contributing to the sustainable development of society.

Please tell us about the corporate culture, strengths, and initiatives of the Daiichi Sankyo Group.

Okuzawa We regard our people as the most important asset in management, and we continuously strive to develop them in order to realize our Purpose: "Contribute to the enrichment of quality of life around the world." Our Group is experiencing globalization at an unprecedented speed and scale, driven by the rapid expansion of our oncology business. We believe that the growth and increased engagement of each employee are essential to supporting this rapid business growth. At the core of Daiichi Sankyo Group, an innovative pharmaceutical company, lies a commitment to "putting patients first" and "making decisions based on science." We are convinced that all employees embrace these two mindsets as the foundation for their daily activities and decision-making. Because of this, we believe our strength lies in our ability to unite and tackle even the most difficult challenges together.

Matsumoto When our Group shifted to the oncology business, there was a challenge of whether the existing culture could support our growth strategy. To become an organization that acts with a sense of speed as One Team globally, we analyzed what was lacking and what needed to be strengthened. Based on the results, we formulated our Core Behaviors. We then redefined and articulated this as the One DS Culture, incorporating it into our Purpose, Mission, Vision, and Core Values. Since it is important for the management to be united in order to promote the widespread understanding of the corporate culture, we first brought together around 200 global leaders several times, including the members of the Executive Management Committee (EMC) and their direct reports, to deepen their understanding of the importance of the One DS Culture. Furthermore, in 2022, we appointed Culture Ambassadors in each organization to promote the cultivation of the One DS Culture. We feel that the Ambassadors around the world who are advancing this initiative have created a positive movement, leading to the widespread penetration of the One DS Culture.

Sankyo Group Aiming to Healthcare Company

What do you think of the initiatives of the "One DS Culture" and the strengths in terms of talent and organizational culture?

Nohara While the globalization of Japanese companies often involves importing overseas talent strategies and human resources systems, our Group has fostered the One DS Culture without overly conforming to foreign workplace cultures. Instead, we have recognized and appreciated the strengths and differences of each culture, promoting mutual harmony. I believe this approach, distinct from what I've seen before, is uniquely characteristic of our company. As a result, many key positions in our overseas units are held by non-Japanese members who have worked with us for many years. We have numerous talented individuals who resonate with our company's culture and values. Additionally, at the FY2024 Senior Management Meeting held this April, which was attended by about 160 core members from global units, I got the impression that all departments

are working organically towards the 2030 Vision, fulfilling their roles to maximize profitability and contribute to patients. I believe our Group has become a workplace that is fulfilling, shares common goals, and inspires dreams.

Nishii Not only diversity but also the promotion of inclusion towards our Vision is undoubtedly one of our strengths. Currently, we are aiming to become a world-class company in the field of oncology, but it must have been quite challenging to find the path from the cardiovascular domain to oncology. Specifically, since we are a Japanese company, there is a cultural tendency for long-term employment within a single company. On the other hand, there can be a mismatch in values with the talent employed to expand our business primarily in Western countries. In creating the One DS Culture, I believe there must have been many conflicts, but I can sense the strength that has come from overcoming these challenges. In pursuing our Purpose and Vision, the business environment can change rapidly, and it is essential that our strategies adapt flexibly to these changes. Additionally,

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all companies face the risk of organizational unrest and the breakdown of inclusion during times of poor performance. We strongly feel that, armed with the experiences we have overcome, we are currently in a period where we are leveraging Daiichi Sankyo's strengths to pursue our Purpose and Vision.

Please tell us about the positioning and importance of human resources in our Group aiming to achieve the 2030 Vision.

Okuzawa Despite the Tokyo Stock Exchange's "PBR below 1 issue," our company's PBR is currently at a very high level of 6 (as of the end of July in 2024). There is off-balance-sheet corporate value (intangible assets, products, and pipeline) that far exceeds the net assets on our balance sheet, and it is undoubtedly our employees who are creating this value. That is why we position our human resources as the most important invisible asset bearers. We believe that a condition for a sustainable company under our 2030 Vision: "Innovative Global Healthcare Company Contributing to the Sustainable Development of Society" is to consistently have our exceptional talent continue building intangible assets. I love the *sanpoyoshi* (benefit for all three parties) philosophy of the Omi merchants, and I want all our global employees to embrace this management philosophy. We aim to promote the belief that we always thrive and are supported within the development of society.

Matsumoto To realize a company that continually builds intangible assets, it is crucial to understand the talent needed and to undertake initiatives to bridge the gap between the current state and the desired outcome in terms of talent acquisition and development. For example, as our business shifts from a focus on small molecules to biopharmaceutical, there is a shortage of biopharmaceutical talent in various areas such as development, manufacturing, and quality assurance. Therefore, we are placing a strong emphasis on increasing biopharmaceutical talent both in Japan and internationally. Additionally, we believe that it is essential to develop talent capable of competing on a global scale. In March 2024, we established the Daiichi Sankyo Group People Philosophy, which serves as the foundation for our human resources initiatives aimed at globalization. Through this, we conveyed the message to all employees that people are our most important asset. We aim to establish a foundation where we can effectively secure, develop, and enable our talent to thrive, no matter where they are in the world.

Please tell us about the current challenges and the direction for strengthening our talent.

Nishii As a prerequisite for securing and developing talent, we believe that further discussion is needed regarding our desired state in 2030. Healthcare is a very broad field, and clearly defining the type of healthcare company we aspire to become is a significant challenge. During the con-

sideration of our next 5-year business plan, we need to clearly define our Vision and have thorough discussions to clarify the type of talent required. We believe that the strategic partnership with global mega-pharma companies has not only yielded results in oncology but has also had a significantly positive impact on our talent and organizational culture. We hope to progress towards our 2030 Vision by learning from the strengths of our global partner.

Okuzawa I believe we have gained many valuable insights and experiences through partnering with a global mega-pharma company. We aim to see our Group grow into a true global company, one that can genuinely stand shoulder to shoulder with mega-pharma companies. To achieve this, we will first transform the EMC into a truly global management team. Since the EMC members are the heads of each unit, it can sometimes appear as if silos are being created within the scope of their respective roles and responsibilities, and the representatives of these silos coming together. While it is understandable and necessary to value one's own organization, as EMC members, we want to build a One Team that sets aside individual units to engage in discussions and decision-making for the overall optimization of our Group.

Nishii A good example from the EMC is the discussion of the 2024 budget. The increase in initial R&D costs, which deviated from the budget guidelines, was identified as a challenge. However, it was adjusted precisely within just a few months. The process at that time was neither a top-down approach nor a simple bottom-up process. Instead, it involved thorough discussions between each EMC member and their respective team members, and decisions were made after reaching a consensus. Deciding to prioritize R&D funding over the immediate profits of one's own organization is not an easy decision, and I believe it was a remarkable example of decision-making as a team. I believe this was possible because the long-term value of helping more patients in the future is shared across the entire company.

Nohara As the competition for talent domestically and internationally intensifies, the challenge is how to demonstrate our Group's position and continue to attract top performers. I believe that improving our recognition and branding overseas to attract both talent and intellectual property is also necessary. From the perspective of empowerment of women, while our Group is highly regarded for its efforts among Japanese companies, there is still a significant gap between Japan and other regions. The progress of globalization presents an opportunity to introduce overseas systems, ideas, and strengths into Japan, driving transformative change. Until now, discussions and measures to accelerate empowerment of women have been primarily led by Japanese members. However, I believe that by involving a more global team in these discussions moving forward, we can also drive changes in the domestic environment.

Matsumoto As globalization progresses within each unit and organization, we are currently working to unify our approach to evaluations, grades, and compensation globally to avoid conflicts between Japanese and international practices. At the same time, we are advancing the development

of HR Information System, and we believe that once these supporting systems are in place, we can finally move on to the talent management, which is the next step. While it's important for Japanese employees to be able to compete globally, it's also crucial to establish a foundation that supports career development and enables overseas members to envision a long-term career with our company. Additionally, as Director Nohara pointed out, there are significant challenges regarding empowerment of women in Japan, and we need to develop systematic initiatives to globalize our approach to nationality and diversity as well.

Finally, please share your expectations for human resources strategies and strengthening human capital, as well as how you plan to be involved.

Nishii In aiming to become a global healthcare company, the perspective of digital transformation (DX) is indispensable for the future. In advancing transformations using technology, traditional Japanese practices and age-based role definitions may become obstacles. I am interested in how human resources (HR) will address and resolve these challenges. I believe that HR innovation is needed not only in terms of nationality and gender but also in recruiting and empowering those who have fresh and new knowledge in the digital field, and I would like to focus on this aspect.

Nohara The essence of Inclusion & Diversity goes beyond correcting formal disparities such as gender, nationality, or age. It involves cultivating an organizational culture where members with diverse values and expertise can engage in broad, multi-faceted discussions and create something meaningful from that dialogue. Many Japanese companies predominantly

hire new graduates, which can lead to a somewhat standardized workforce. Moving forward, it is important to acquire and include talent with diverse careers, areas of expertise, and values to create a more inclusive workplace. I will also support the spread of such thinking and actions throughout all workplaces.

Matsumoto I am determined to develop and promote a robust human resources strategy that supports our business and management strategies. Currently, our development pipeline is attracting talent, but I have a dream of becoming a company where our culture and people act as a magnet, drawing others in. I aspire to create a workplace and company, both in Japan and globally, that makes people think "Daiichi Sankyo puts people first, and it's the people themselves that are the excellence of the company" and "I want to work for Daiichi Sankyo."

Okuzawa I'm glad we had such a meaningful and in-depth discussion. Our company has established the organizational culture known as "One DS Culture," which encompasses our Purpose and Mission, the 2030 Vision, Core Values, and Core Behaviors. By embedding these throughout the entire Group, we aim to foster and strengthen a global sense of unity. I believe it is most important for me, as the leader, to deeply commit to and actively practice these principles myself. Through this commitment, I aim to contribute to all our multi-stakeholders, including patients, shareholders, and employees, as a part of the Daiichi Sankyo Group.

As a leader, I will effectively convey our corporate philosophy, commitment to stakeholders, strengths in Science & Technology, and emphasis on human capital through two-way communication and dialogue with stakeholders. I value the feedback we receive from stakeholders and aim to utilize it into our management practices.

