

Last update: June 18, 2024

Hiroyuki Okuzawa, Representative Director and President & COO

Contact: Kentaro Asakura,

Vice President, Corporate Communications Department

Securities Code: 4568

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

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

1. Basic Views

Updated

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 five out of our ten 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, the Company has established two voluntary committees as advisory bodies to the Board: the Nomination Committee and the Compensation Committee. Both committees respectively deliberate on selections or dismissals of CEO and COO, the succession plan of CEO, selections of Director and Audit & Supervisory Board Member candidates, the compensation policy for Directors, the individual amounts of compensation of Directors, and other matters.
- Both Committees are composed of five 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 Management Executive Meeting with CxOs, Unit Heads, and Heads of Global Corporate Functions 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]

Updated

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 2023, we sold shares for approximately JPY12.5 billion (9 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

We have established the People Philosophy to “create an inclusive environment where everyone’s voice is valued, and diverse employees collaborate and trust each other to contribute to their fullest ability.” Also, Daiichi Sankyo has established “Inclusion and Diversity” as a component of its People Philosophy and “value people for who they are as individuals, and welcome diverse perspectives in our work, which enables us to achieve more as Daiichi Sankyo.”

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/

ESG Data

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

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/

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 and a board. 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 Enhancing information disclosure

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

The corporate philosophy, vision, 5-year business plan and measures to realize management with an awareness of capital cost and share price are disclosed on the Company's Integration report (Value Report) and the Company's corporate website. Please refer to the following:

Value Report: https://www.daiichisankyo.com/investors/library/annual_report/

The Company's corporate website: <https://www.daiichisankyo.com/investors/>

(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

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- To ensure management transparency, the Company has established two voluntary committees as advisory bodies to the Board: the Nomination Committee and the Compensation Committee. Both committees respectively deliberate on selections or dismissals of CEO and COO, the succession plan of CEO, selections of Director and Audit & supervisory Board Member candidates, the compensation policy for Directors, the individual amounts of compensation of Directors, and other matters.
- Both Committees are composed of five 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 Management Executive Meeting with CxOs, Unit Heads, and Heads of Global Corporate Functions 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 /Selection of Directors, Audit & Supervisory Board Members and CEO, etc.

- 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 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 Shareholders Meeting.
- Candidates for CEO shall be selected based on the succession plan and defined eligibility requirements, etc. that have been discussed at the Nomination Committee.
- Selection of CEO and COO (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, etc.

- 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 Shareholders Meeting shall deem that it meets criteria for dismissal

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

- Dismissal of CEO and COO 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 Shareholders Meeting.

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

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

For Convocation Notice of General Shareholders Meeting,

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, 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 human capital as the most important 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 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/

Materiality

https://www.daiichisankyo.com/sustainability/our_approach/materiality/

Value 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 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, based on the revised TCFD recommendations in October 2021, we have conducted a reassessment and business impact evaluation considering the 5-year business plan (fiscal 2021-fiscal 2025) and external environmental changes related to climate change. We have disclosed the information on Value Report and corporate website.

Promotion of Environmental Management

https://www.daiichisankyo.com/sustainability/the_environment/

Response to TCFD

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 Representative Director, Executive Chairperson 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 five of ten Directors are appointed as Independent Outside Directors, and they provide proactive opinions and pertinent observations in the Board.

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.

Criteria for Independence as Outside Directors/Audit & Supervisory Board Members

https://www.daiichisankyo.com/about_us/governance/criteria_for_independence/

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 respectively deliberate upon selections or dismissals of CEO and COO, the succession plan of CEO, selections of Director and Audit & Supervisory Board Member candidates, the compensation policy for Directors, the individual amounts of compensation of Directors, and other matters. Both Committees are composed of five 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 Shareholders Meeting, its Corporate Governance Report, and its Value Report.

Convocation Notice of General Shareholders Meeting

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

Value Report

https://www.daiichisankyo.com/investors/library/annual_report/

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 ten Directors, five 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 medium- 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 Shareholders Meeting 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/selection of Directors, please refer to "Principle 3.1 (iv) Policies and Procedures for Appointment of Directors, Audit & Supervisory Board Members and CEO, etc." above, and to the Convocation Notice of General Shareholders Meeting. For information about the skill matrix, please refer to the Convocation Notice of General Shareholders Meeting and Value Report.

Convocation Notice of General Shareholders Meeting

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

Value Report

https://www.daiichisankyo.com/investors/library/annual_report/

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 Shareholders Meeting" and the "Annual Securities Report."

Please view this information at the following URL:

Convocation Notice of General Shareholders Meeting:

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

Annual Securities Report (Japanese report):

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 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 the Board evaluation 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.

<Implementation method of the Board evaluation for fiscal 2023>

The Company determines the Board evaluation items including the items to be evaluated by the Directors themselves in addition to the evaluation of the Board as a whole as the contents and items for evaluation relating to the effectiveness of the Board as a whole with reference to the principle and supplementary principle associated with the general principle 4, "Roles and Responsibilities of the Board" of Japan's Corporate Governance Code.

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
- (7) Overall corporate governance

All Directors and Audit & Supervisory Board Members self-evaluated the above matters by selecting grades and answering free descriptions, and the analysis results and the details are reported to the Board. The latest round of self-evaluation generated quite a few candid opinions by selecting grades and using a free-description format. Based on these results, the Company has identified the issues and matters which leads to improvements in the Board's functions and effectiveness.

<Results of the Board evaluation for fiscal 2023>

The result of the Board evaluation for fiscal 2023, 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.

In addition, the Company confirmed that improvements are being made in (1) through (3) below, which were identified as items that need further improvements in the evaluation of the previous fiscal year, with the following efforts.

- (1) Enhancement of discussions on key matters to strengthen the oversight function of the Board
 - In the Board meeting and the meetings for Outside Directors and Outside Audit & Supervisory Board Members, and others, the Board especially focused on the discussions regarding long-term strategies, globalization, materiality, ESG, and risk management.
- (2) Strengthening in terms of operation to strengthen the Board' decision-making and oversight functions
 - The Company discussed the optimal balance between oversight and execution for the Company and operated the Board based on revised optimizing matters for deliberation and reported matters of the Board.
 - The Company revised the optimizing matters for deliberation and reported matters of the Nomination Committee and Compensation Committee which were advisory boards of the Board from the perspective of the optimal balance between oversight and execution for the Company, revised "Nomination Committee Regulations" and "Compensation Committee Regulations" and operated these Committees.
 - The Company has continued to set up opportunities for discussion, including occasions other than the Board meeting (e.g. meetings to exchange views among Directors and Audit & Supervisory Board Members, meetings for Outside Directors and Outside Audit & Supervisory Board Members, briefing sessions for Outside Directors and Outside Audit & Supervisory Board Members).
- (3) Further considerations for optimizing the Board composition
 - In the Board and Nomination Committee, the members discussed the optimal composition of members of the Board for the Company with the objective of enhancing corporate governance and further strengthening the oversight functions of the Board.
 - The additional appointment of one Outside Director was resolved on the Board.

<Priority measures for fiscal 2024>

Drawing on the evaluations of fiscal 2023, the Company endeavors to ensure and improve the functions and effectiveness of its Board. To such end, the Company will continuously implement the following priority measures in fiscal 2024:

- (1) Enhancement of discussion on key matters for further strengthening the oversight functions of the

- Board (long-term strategy, medium-term management plans, globalization, etc.)
- (2) Enhancement in terms of operation for further strengthening of the decision-making functions and oversight functions of the Board
 - (3) Further considerations for optimizing the Board composition

In fiscal 2021, the Company conducted the Board evaluation by a third-party organization. Going forward, the Company plans to conduct the 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/

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/

The Executive Chairperson (CEO) and the President (COO), 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, COO 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 Shareholders Meeting”, 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/>

Principle 5.2 Formulation and publication of management strategies and plans

Measures to realize management with an awareness of capital cost and share price and others are disclosed on Value Report and the Company’s corporate website. Please refer to the following:

Value Report: https://www.daiichisankyo.com/investors/library/annual_report/

The Company’s corporate 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)	320,049,300	16.69%
Custody Bank of Japan, Ltd. (trust account)	163,473,200	8.53%
JP Morgan Chase Bank 385632	117,255,164	6.11%
Nippon Life Insurance Company	85,863,046	4.48%
STATE STREET BANK AND TRUST COMPANY 505001	53,230,986	2.78%
SSBTC CLIENT OMNIBUS ACCOUNT	52,935,945	2.76%
STATE STREET BANK WEST CLIENT-TREATY 505234	36,407,463	1.90%
GOVERNMENT OF NORWAY	29,150,916	1.52%
JP MORGAN CHASE BANK 385781	26,213,090	1.37%
Custody Bank of Japan, Ltd. as trustee for Mizuho Bank, Ltd. Retirement Benefit Trust Account re-entrusted by Mizuho Trust and Banking Co., Ltd.	25,014,130	1.30%

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

Supplementary Explanation Updated

- The status of major shareholders above is the status as of March 31, 2024.
- The Company held 29,531,339 own shares as of March 31, 2024, 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 March 31, 2024 is not confirmed.

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

Mizuho Bank, Ltd. / March 25, 2024 / 100,143 thousand shares (5.14%)

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)	JPY1 trillion or more
Number of consolidated subsidiaries	10 or more but less than 50

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

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

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	Updated	Ten
Appointment of Outside Directors		Appointed
Number of Outside Directors	Updated	Five
Number of Outside Directors that are Independent Directors		Five
	Updated	

Outside Directors and Their Relationship with the Company (1)_	Updated	
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Name	Attribute	Relationship with the company										
		a	b	c	d	e	f	g	h	i	j	k
Kazuaki Kama	From other company											
Sawako Nohara	From other company											
Yasuhiro Komatsu	Academic											
Takaaki Nishii	From other company											
Yo Honma	From other company											

* 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)_**Updated**

Name	Supplementary explanation	Reason for appointment of the said Outside Director
Kazuaki Kama	Independent Director Chairperson of the Board	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 the Board based on the above experience, professional insight and objective standpoint. 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").
Sawako Nohara	Independent Director Chairperson of the Compensation Committee	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 based on the above experience, professional insight and objective standpoint. 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").
Yasuhiro Komatsu	Independent Director	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 based on the above experience, professional insight and objective standpoint. 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”).
Takaaki Nishii	Independent Director Chairperson of the Nomination Committee	<p>Takaaki Nishii has a wealth of experience and a wide range of knowledge in corporate management, global business, and Human Resources from his experience as a company manager at a food and amino acids material manufacturer.</p> <p>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 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>
Yo Honma	Independent Director	<p>Yo Honma has a wealth of experience and a wide range of knowledge in corporate management and IT/ digital technology, from his experience as a company manager in the information and communication field.</p> <p>The Company has appointed him as Outside Director and as Independent Director to have him appropriately fulfill his roles including the oversight on execution of the operation by making beneficial comments and proposals as appropriate at the Board based on his experience, professional insight and objective standpoint.</p> <p>The Company have determined that he does not meet any items, listed by the Tokyo Stock Exchange, that could cause conflicts of interest against common shareholders as an Independent Director, and he meet the Company’s criteria for independence of Outside Directors (refer to “Other Matters Related to Independent Directors / Auditors”) and maintains a neutral and impartial position as an independent director.</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 Updated

	Committee Corresponding to the Nomination Committee	Committee Corresponding to the Compensation Committee
Committee’s Name	Nomination Committee	Compensation Committee
Total no. of Committee Members	5	5
Full-time Members		
In-house Directors		

Outside Directors	5	5
External Experts		
Others		
Chairperson	Outside Director	Outside Director

To ensure management transparency, selections or dismissals of CEO and COO, the succession plan of CEO, selections of Director candidates, the compensation policy for Directors, the individual amounts of compensation of Directors, and other matters 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, 2023 are as follows.

[Nomination Committee]

Chairperson: Takaaki Nishii, Outside Director
 Members: Kazuaki Kama, Sawako Nohara, Yasuhiro Komatsu and Yo Honma, Outside Directors
 Observer: Mitsuhiro Matsumoto, Outside Audit & Supervisory Board Member

[Compensation Committee]

Chairperson: Sawako Nohara, Outside Director
 Members: Kazuaki Kama, Yasuhiro Komatsu, Takaaki Nishii and Yo Honma, Outside Directors
 Observer: Yukiko Imazu, Outside Audit & Supervisory Board Member

For fiscal 2023, the activities of each committee are as follows.

[Nomination Committee]

Meetings were held nine times to discuss selection and dismissal of CEO/COO, CEO succession plan, nomination for the candidate Director and other matters.

All the members and observer of the Nomination Committee attended to all the meetings. Of the Nomination Committee meetings held in fiscal 2023, Takaaki Nishii attended only those held after his appointment on June 19, 2023.

[Compensation Committee]

Meetings were held eleven times to discuss a policy on compensation of Directors as well as the individual amounts of compensation and other matters.

All the members and observer of the Compensation Committee attended to all the meetings. Of the Compensation Committee meetings held in fiscal 2023, Takaaki Nishii attended only those held after his appointment on June 19, 2023.

* In September and March, in addition to the usual deliberations, the Nomination Committee and the Compensation Committee held joint meetings to discuss the setting of goals for the CEO and COO and evaluation of both.

[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

Cooperation among Audit & Supervisory Board Members, Accounting Auditor, and Internal Audit Department	Updated
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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, 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 by receiving reports on their audit plan and audit results, and by periodic information sharing and 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													

* Categories for “Relationship with the Company”

- * “○” when Audit & Supervisory Board Member presently falls or has recently fallen under the category;
- “△” when Audit & Supervisory Board Member fell under the category in the past
- * “●” when a close relative of Audit & Supervisory Board Member presently falls or has recently fallen under the category;
- “▲” when a close relative of Audit & Supervisory Board Member fell under the category in the past

- 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 & 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 & Supervisory Board Members (refer to "Other Matters Related to Independent Directors / Auditors").</p>
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 & 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 & 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
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 & 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. 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 & Supervisory Board Members (refer to "Other Matters Related to Independent Directors / Auditors").</p>

[Matters relating to Independent Directors / Auditors]

Number of Independent Directors / Auditors	Updated	Eight
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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 medium-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 Updated

The amount of compensation and related payments to Directors and Audit & Supervisory Board Members in fiscal 2023 is disclosed in the Business Report as follows.

[Directors (excluding Outside Directors)]

Total amount of compensation and related payments : JPY1,105 million

(Break down: Basic compensation JPY351 million, Annual performance based bonuses JPY480 million, Restricted share-based compensation JPY110 million, Medium-term performance-based share compensation JPY162 million)

Number of Directors: 5 persons

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

Total amount of compensation and related payments: JPY93 million

(Break down: Basic compensation JPY93 million)

Number of Audit & Supervisory Board Members: 3 persons

[Outside Directors]

Total amount of compensation and related payments: JPY95 million

(Break down: Basic compensation JPY95 million)

Number of Outside Directors: 5 persons

[Outside Audit & Supervisory Board Members]

Total amount of compensation and related payments: JPY61 million

(Break down: Basic compensation JPY61 million)

Number of Outside Audit & Supervisory Board Members: 3 persons

The amount of compensation and related payments to Outside Directors and Audit & Supervisory Board Members (excluding Outside Audit & Supervisory Board Members) and the number of persons to be paid, include those of one Outside Director and one Director and one Audit & Supervisory Board Member (excluding Outside Audit & Supervisory Board Members) who retired following the end of their tenure of office at the close of the 18th Ordinary General Shareholders Meeting held on June 19, 2023.

“Restricted share-based compensation” and “Medium-term performance-based share compensation” above represents the amount posted to expenses in fiscal 2023.

Information regarding consolidated compensation and related payments to Directors and Audit & Supervisory Board Members receiving JPY100 million 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 medium-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"> ▪ Advice to current management when requested from them ▪ Outside activities (economic or industry associations, etc.) 	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, report to 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 five out of our ten Directors are Outside Directors. Since June 2020, an Outside Director has been appointed as chairperson of the Board.
 - To ensure management transparency, the Company has established two voluntary committees as advisory bodies to the Board: the Nomination Committee and the Compensation Committee. Both committees respectively deliberate on selections or dismissals of CEO and COO, succession plan of CEO and selections of Director and Audit & Supervisory Board Member candidates, the compensation policy for Directors, the individual amounts of compensation of Directors, and other matters.
 - Both Committees are composed of five 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 Management Executive Meeting with CxO, Unit Heads and Heads of Global Corporate Functions 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.

(i) Number of Attendance for the Board / Audit & Supervisory Board Meetings

(For fiscal 2023, from April 1 to March 31, 2024)

Sunao Manabe, Representative Director	: The Board 16 / 16 meetings (100%)
Hiroyuki Okuzawa, Representative Director	: The Board 16 / 16 meetings (100%)
Shoji Hirashima, Representative Director	: The Board 16 / 16 meetings (100%)
Masahiko Ohtsuki, Director	: The Board 16 / 16 meetings (100%)
Takashi Fukuoka, Director	: The Board 16 / 16 meetings (100%)
Kazuaki Kama, Outside Director	: The Board 16 / 16 meetings (100%)
Sawako Nohara, Outside Director	: The Board 16 / 16 meetings (100%)
Yasuhiro Komatsu, Outside Director	: The Board 16 / 16 meetings (100%)

Takaaki Nishii, Outside Director

: The Board 13 /138 meetings (100%)

Kenji Sato, Full-time Audit & Supervisory Board Member

: The Board 16 / 16 meetings (100%)

: Audit & Supervisory Board 14 / 14 meetings (100%)

Miyuki Arai, Full-time Audit & Supervisory Board Member

: The Board 13 / 13 meetings (100%)

: Audit & Supervisory Board 11 / 11 meetings (100%)

Yukiko Imazu, Outside Audit & Supervisory Board Member

: The Board 16 / 16 meetings (100%)

: Audit & Supervisory Board 14 / 14 meetings (100%)

Masako Watanabe, Outside Audit & Supervisory Board Member

: The Board 16 / 16 meetings (100%)

: Audit & Supervisory Board 14 / 14 meetings (100%)

Mitsuhiro Matsumoto, Outside Audit & Supervisory Board Member

: The Board 16 / 16 meetings (100%)

: Audit & Supervisory Board 14 / 14 meetings (100%)

Note: The number of attendance for Takaaki Nishii in the Board and for Miyuki Arai in the Board and Audit & Supervisory Board meetings signifies the number of attendance only to such meetings held after their assumption of office on June 19, 2023.

(ii) Major Consideration Items by the Board

- Long-term strategies / Business strategies
- Annual business plan and budget
- Financial results and forecast
- Execution status of business investments
- ESG/Materiality KPI
- Risk management
- Internal audit plans and results
- Selection of candidates for Directors and Audit & Supervisory Board Members
- Selection of Representative Directors and Executive Directors
- Revision of Global Management structure and organizations
- Selection of CxO, Unit Heads and Heads of Global Corporate Functions under the Global Management structure
- Selection of Corporate Officers
- Selection of candidate representatives of major Group companies
- Board evaluation
- Payment of annual performance-based bonuses to Directors and Corporate Officers
- Compensation amounts for individual Directors and Corporate Officers
- Evaluation coefficients for Mid-term performance-based share compensation
- Payment of monetary compensation receivables for restricted shares and disposal of own shares
- Daiichi Sankyo Group Monthly Business Report

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 and Audit & Supervisory Board Members is discussed at the voluntarily established Nomination Committee. To secure further rightfulness, the Nomination Committee consists of five 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 medium-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 policy, the level of compensations, the composition of the compensation, the ratio of the composition of compensations, Clawback provision, the compensation governance and decision-making process, amount of annual performance-based bonuses, allocation of restricted share, and result of medium-term performance-based share compensation have been deliberated at the Compensation Committee that has been established as a voluntary organization. To secure rightfulness, the Compensation Committee consists of five Outside Directors and one Outside Audit & Supervisory Board Member participates as the observer in each committee.
- The amount of compensation for each individual Director 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 Shareholders Meeting.

(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 operate a management system that continuously improves Environment, Health, and Safety with the aim of minimizing risks and contributing to a sustainable society, based on the recognition that protecting the environment and ensuring the health and safety of our employees throughout every aspect of the Group's corporate activities constitute key management issues. Full-time Audit & Supervisory Board Members and Vice president of Internal audit department 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.

- The Company has Office of Audit & Supervisory Board Members, with four full-time staff independent of the execution of business operations, to provide assistance in the execution of the duties of Audit & Supervisory Board Members.
- Experience and Specialty of Each Audit & Supervisory Board Member

Name	Experience/Specialty
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.
Full-time Audit & Supervisory Board Member Miyuki Arai	Engaged in research and development, post-marketing safety control including pharmaceuticals, medical devices and regenerative medicine products and quality assurance, etc., she 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.

2) Activities of Audit & Supervisory Board and its Members (Fiscal 2023)

a) Activities of Audit & Supervisory Board

- As a general rule, Audit & Supervisory Board meeting is held once a month. The composition and attendance of the Audit & Supervisory Board are as follows.

Kenji Sato, Full-time Audit & Supervisory Board Member
: Audit & Supervisory Board 14 / 14 meetings (100%)

Miyuki Arai, Full-time Audit & Supervisory Board Member
: Audit & Supervisory Board 11 / 11 meetings (100%)

Yukiko Imazu, Outside Audit & Supervisory Board Member
: Audit & Supervisory Board 14 / 14 meetings (100%)

Masako Watanabe, Outside Audit & Supervisory Board Member
: Audit & Supervisory Board 14 / 14 meetings (100%)

Mitsuhiro Matsumoto, Outside Audit & Supervisory Board Member
: Audit & Supervisory Board 14 / 14 meetings (100%)

Note: The number of meetings attended by Miyuki Arai in Audit & Supervisory Board indicates only the number of such meetings held after her assumption of office on June 19, 2023.

- Aside from Audit & Supervisory Board meetings, exchanges of views among Audit & Supervisory Board Members are held after the Board, etc.
- 20 proposals were placed on the meeting agenda this fiscal year, and approximately 130 minutes was devoted to a regular monthly Audit & Supervisory Board meeting on average.

- b) Specific sharing and considerations in Audit & Supervisory Board meetings
- Audit policy, audit plans, and division of duties
 - Audit Report by Audit & Supervisory Board
 - Consent for the Proposal in General Shareholders Meeting “Election of Audit & Supervisory Board Members”
 - Evaluation and appointment/reappointment of Accounting Auditors
 - Consent for Remuneration of Accounting Auditors
 - Evaluation of the effectiveness of Audit & Supervisory Board
 - Internal audit plans and the results
 - Non-assurance services by provided Accounting Auditors
 - Status report on audit by Audit & Supervisory Board Members of domestic Group companies
 - Monthly execution status of duties by Audit & Supervisory Board Members
- 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 twice 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: The Board, Executive Management Committee (by Full-time/Outside Audit & Supervisory Board Members), Corporate Ethics Committee and EHS Management Committee (by Full-time Audit & Supervisory Board Members), Nomination Committee and Compensation Committee (by Outside 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 and perusal of important documents of such companies (by Full-time Audit & Supervisory Board Members) Perusal of documents: Important documentation that includes approval documents, materials and minutes of important meetings (by Full-time Audit & Supervisory Board Members)
 - Interviews by Audit & Supervisory Board Members: All Unit Heads, Heads of Global Corporate Functions, Heads of Division, Vice Presidents (Department), Presidents of domestic and overseas Group companies, etc. (by Full-time/Outside Audit & Supervisory Board Members)
 - Visits by Audit & Supervisory Board Members: Major domestic and overseas business sites
 - Cooperation with Outside Directors: Holding meetings to exchange views (by Outside Audit & Supervisory Board Members), Individual interviews (by Full-time Audit & Supervisory Board Members).
 - Meetings with Audit & Supervisory Board Members of domestic Group companies: Held three times a year (by Full-time Audit & Supervisory Board Members)
 - Cooperation with secondary control corporate functions: Receiving reports on the status of establishing and implementing the internal control system, as well as obtaining relevant information. (by Full-time Audit & Supervisory Board Members)
 - Cooperation with the Internal Audit Department: Receiving explanation of Reporting internal audit plans and the results (by Full-time/Outside Audit & Supervisory Board Members), and engaging in exchange of views, confirming audit points before internal audits, information-sharing and exchange of views at monthly meetings etc.(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 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 exchange of views on recent topics on a monthly basis, consultation about Key Audit Matters (KAM) (by Full-time/Outside Audit & Supervisory Board Members)

3) Audit & Supervisory Board evaluation for fiscal 2023

Audit & Supervisory Board evaluation for fiscal 2023 is conducted to heighten its effectiveness of Audit & Supervisory Board.

<Method of Audit & Supervisory Board evaluation>

Audit & Supervisory Board determined 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.

<Evaluation results of Audit & Supervisory Board>

The results confirmed that Audit & Supervisory Board largely carries out its activities appropriately and that its effectiveness has been ensured.

In the next fiscal year, Audit & Supervisory Board will pay particular attention to the status of further strengthening corporate functions in the midst of global business expansion, as well as monitoring the progress of building a data-driven management platform.

(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 Yusuke Matsumoto. Twelve certified public accountants and forty-two 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

To ensure the effectiveness of internal audits, the Company has established the Internal Audit Department (30 staff), which is under the direct control of the President to ensure the independence from the business execution functions of the Group, and the Department has audited the design and operational effectiveness of the internal control system in the Group. In addition, the Department has monitored self-assessments and improving activities of the organizations covered in the audits in cooperation with the secondary control departments in the internal control system.

Moreover, the Company has established a global internal audit structure led by the Head of Global Internal Audit and the Department has collaborated to promote audit activities with the audit departments of our overseas group companies to contribute to the effective achievement of management goals globally.

The Department has reported the audit results not only to the CEO and the President, but also to the Board, Audit & Supervisory Board Members, Audit & Supervisory Board and the accounting auditors, and has promoted collaboration by sharing information and the exchange of opinions on a regular basis with Audit & Supervisory Board Members and the accounting auditors.

(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

Updated

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, five of the ten 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 five 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 Updated

	Supplementary explanation
Early Notification of General Shareholder Meeting	The Company sent convocation notices regarding the 19 th Ordinary General Shareholders Meeting, 21 days before (on May 28, 2024) it was scheduled to be held.
Scheduling AGMs Avoiding the Peak Day	The 19 th Ordinary General Shareholders Meeting 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 electronic exercise of voting rights.
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. https://www.daiichisankyo.com/media_investors/investor_relations/ir_disclosure_policy.html	
Regular Investor Briefings for Individual Investors	The Company regularly holds our growth strategy briefings for individual investors by the Representative Director and President, CFO 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 the Representative Director and President 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. https://www.daiichisankyo.com/investors/library/quarterly_result/	Yes

	Supplementary explanation	Explanation by the representative in person
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 meetings with foreign institutional investors as the occasion may demand.	Yes
Posting of IR Materials on Website	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) Japanese website: https://www.daiichisankyo.co.jp/investors/ Worldwide website: https://www.daiichisankyo.com/investors/	–
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.	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. 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 in partnerships with NGOs to provide medical

	<p>support related to breast and cervical cancer and improve maternal and child health care in Kenya, Honduras and Vietnam.</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 impact across the entire value chain with the aim of “carbon neutral”, “100% recycling rate” and “minimization of environmental risk.”</p> <p>Regarding 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 four 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: https://www.daiichisankyo.com/sustainability/</p> <p>Value Report Website: https://www.daiichisankyo.com/investors/library/annual_report/</p>
<p>Development of Policies on Information Provision to Stakeholders</p>	<p>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.</p>
<p>Others</p>	<p><Policy on Diversity of Human Resources></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

Updated

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 held on April 27, 2023 as follows;

- a. Business Management System of the Group
 - The Company shall establish "Daiichi Sankyo Group Executive Management Committee Policy," and form an Executive Management Committee meeting - consisting of executives appointed by Chief Executive Officer (CEO) who are responsible for the main business and functions - which shall deliberate important matters for strategic decision-making by the CEO. Moreover, to conduct smooth and rapid decision-making globally, the Company shall establish the "Daiichi Sankyo Group Decision Policy" and "Decision Regulation."
 - The Company shall establish "Daiichi Sankyo Group Global Management Policy," "Internal Control System Establishment Regulations," and "Organizational Management Regulations" to clarify the management control system of the Group. The CEO shall communicate the management policy, etc. to the persons responsible for each business and function, etc., and receive reports from them regarding the status of business execution and operating results, etc. Moreover, the persons responsible for each business and function shall communicate the management policy, etc. to the representatives, etc. of Group companies under the management of these businesses and functions, and shall receive reports on the status of business execution and operating results, etc. from the representatives of the Group companies.
 - The Company shall introduce a corporate officer system in consideration of speedy decision making and execution of duties.
 - The Company shall establish "Daiichi Sankyo Group Group Company Management Regulations" to clarify responsibilities and authorities of each group company. Moreover, the CEO or the persons responsible, etc. for the businesses and functions managing each Group company shall receive reports on management and operating results, etc. from the representatives, etc. of the Group companies.
 - The Company shall establish "Daiichi Sankyo Group Financial Reporting Policy" and "Internal Control Regulations on Financial Reporting" and ensure the reliability of financial reporting by properly implementing those regulations.
- b. Systems for Ensuring Compliance
 - The Company shall formulate the "Daiichi Sankyo Group Corporate Conduct Charter" and the "Daiichi Sankyo Group Employee Code of Conduct" with the aim of ensuring that the Group's officers, executive officers, and employees maintain a highly ethical perspective and carry out their duties appropriately.
 - The Company shall formulate the "Compliance Promotion Regulations" and establish meeting bodies including outside experts to enhance the Daiichi Sankyo Group's compliance framework and observe the laws, regulations, and corporate ethics of Japan and overseas countries.
 - The Company shall establish "Internal Audit Regulations." The Internal Audit Department and audit functions of the Group companies shall implement internal audit of the status of compliance with laws and ordinances, and the Articles of Incorporation and internal regulations at the Group companies.
 - 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 "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, Corporate Officers, and employees.

- c. Systems Regarding Risk Management
 - The Company shall establish “Daiichi Sankyo Group Risk Management Policy,” “Daiichi Sankyo Group Crisis Management Policy,” and “Daiichi Sankyo Group BCP Policy,” etc. to develop a global risk management system including the Group companies.
 - The Internal Audit Department and the audit functions of Group companies shall conduct internal audits of the status of promotion of risk management based on the above regulations, etc.

- d. Systems Regarding Protection and Management of Information
 - The Company shall establish “Daiichi Sankyo Group Information Security Policy” and “Daiichi Sankyo Group Information Security Regulations,” etc., develop information security systems, and properly store and manage information relating to the execution of duties by Directors, Audit & Supervisory Board Members, and Corporate Officers in accordance with laws, ordinances and internal regulations of the Company.
 - Documents concerning the Directors’ execution of duties, such as the minutes of the General Meetings of Shareholders, the Board, and Executive Management Committee meetings, shall be appropriately stored and managed so that they may be viewed at any time by Directors and Audit & Supervisory Board Members.

- e. Systems Regarding Audit by Audit & Supervisory Board Members
 - Audit & Supervisory Board Members of the Company 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.
 - When Directors of the Company 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 Directors, Corporate Officers and employees of the Company as well as Directors, Corporate Officers 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 make Audit & Supervisory Board Members the permanent recipients of approval notification.
 - 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 appoint full-time staff who assist with the duties of Audit & Supervisory Board Members. The full-time staff 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.
 - The Company shall not treat unfairly any person who reports under the third item in this paragraph 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.

Overview of Status for Implementing Internal Control Structure (Fiscal 2023)

[Matters Regarding Group Management]

- Based on “Daiichi Sankyo Group Executive Management Committee Policy,” the Company holds Executive Management Committees as appropriate to deliberate on important matters and make decisions related to the strategy, policy, and execution of group management. In addition, “Decision Regulations” 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 regulation, the Company realizes smooth and speedy business operation. Matters requiring a resolution by the Board are deliberated and decided at the Board meetings as stipulated in the discussion standards defined in “Board of Directors Regulations.”
- 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.
- The Company employs a Corporate Officer System which contributes to appropriate and swift management decision-making and the conduct of operations.

[Matters Regarding Ensuring 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 the Board, 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 Compliance & Risk Management 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 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 “Daiichi Sankyo Group Risk Management Policy,” 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.
- Head of Global Compliance & Risk Management 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 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, for the purpose to adapt to diversification and intensification of external risk factors and globalization of supply chains, “Daiichi Sankyo Group BCP Policy” and “BCP Regulations” have been established to identify priority risk items and operations that have significant impact on business continuity and to design both measures to prevent actualization and countermeasures for early recovery in cases when such risks materialize.

[Matters Regarding Information Security and Management]

- The Group has defined “Daiichi Sankyo Group Information Security Policy,” “Information Security Regulations” and others and maintains an information security system accordingly. In fiscal 2023, we revised “Daiichi Sankyo Group Information Security Policy” and established new Security Standards and started to operate them.
- We appropriately store and manage information regarding the execution of duties by Directors, Audit & Supervisory Board Members, Corporate Officers and others according to the law and our internal regulations.
- We appropriately store and manage documents regarding the execution of duties by Directors, such as Ordinary General Shareholders Meeting minutes, the Board meeting minutes, Executive Management Committee minutes and others, so that those documents can be perused by Directors and Audit & Supervisory Board Members at any time.

[Matters Regarding Audit by Audit & Supervisory Board Members]

- Directors, Corporate Officers 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 and Executive Management Committee meetings of those companies and check those companies’ status of the establishment and implementation of its internal control system.
- Office of Audit and Supervisory Board 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 Corporate 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.

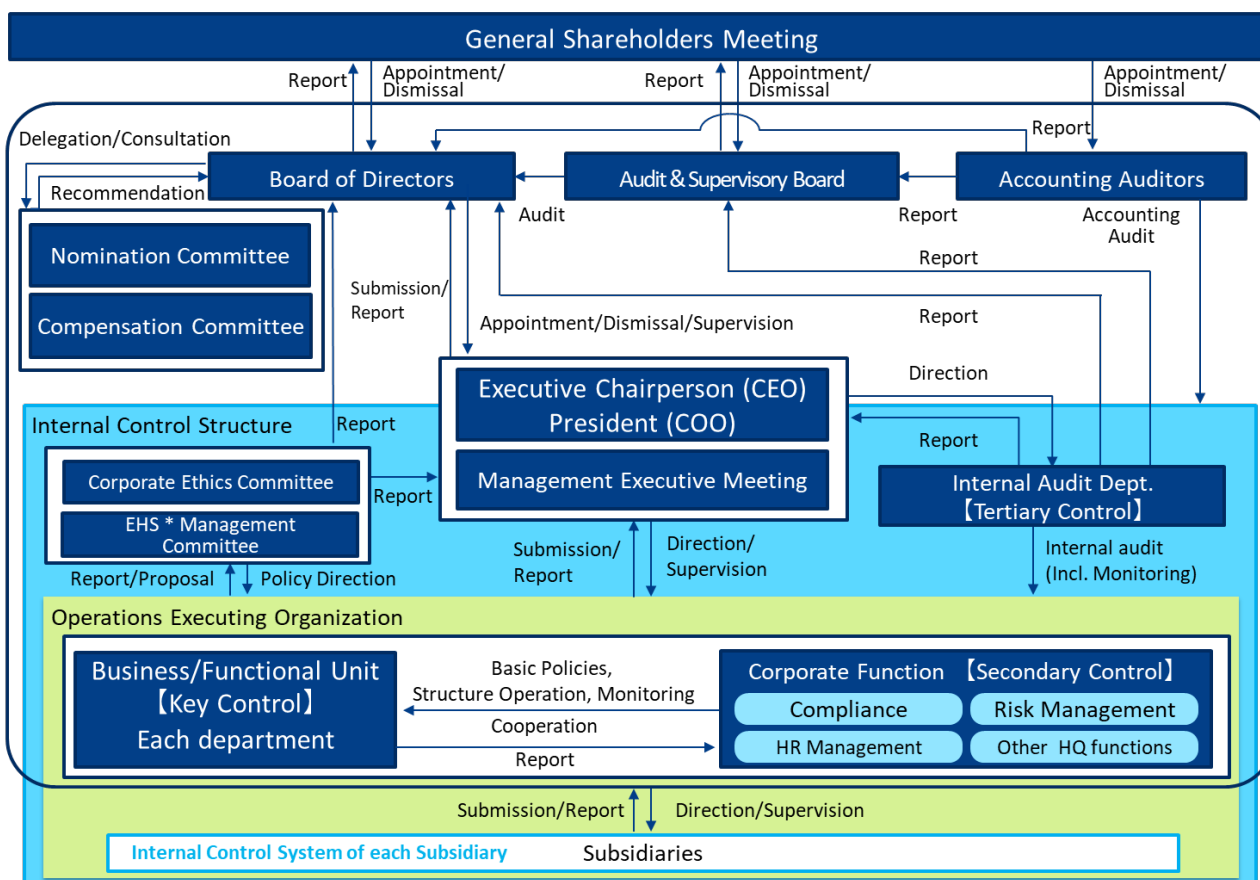
2) Information other than financial information

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



*EHS: Environment, Health, Safety Management Committee

Overview of the Company's Executive Compensation System

◆ Matters concerning the 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 medium 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 medium-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 medium-term performance-based share compensation serving as long-term incentive. Retirement benefit system is not adopted.

Outside Directors

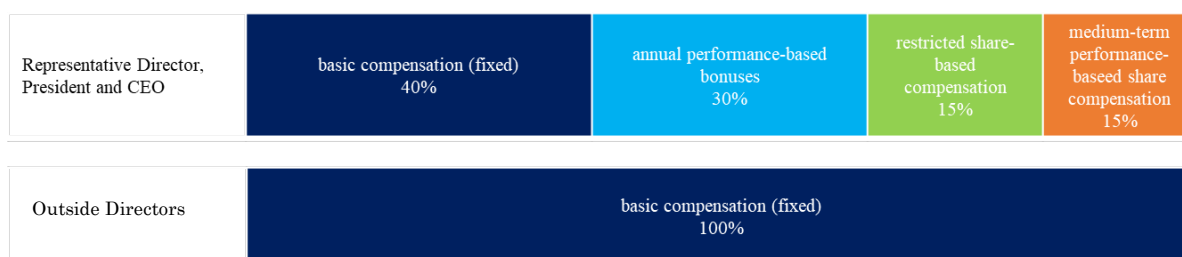
Compensation to Outside Directors who are in charge of management oversight and are not in the position to take charge of business execution is only basic, fixed compensation. Incentive bonuses and retirement benefit system are not adopted.

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 medium-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 profit attributable to owners of the Company, revenue and core operating profit ratio, 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.

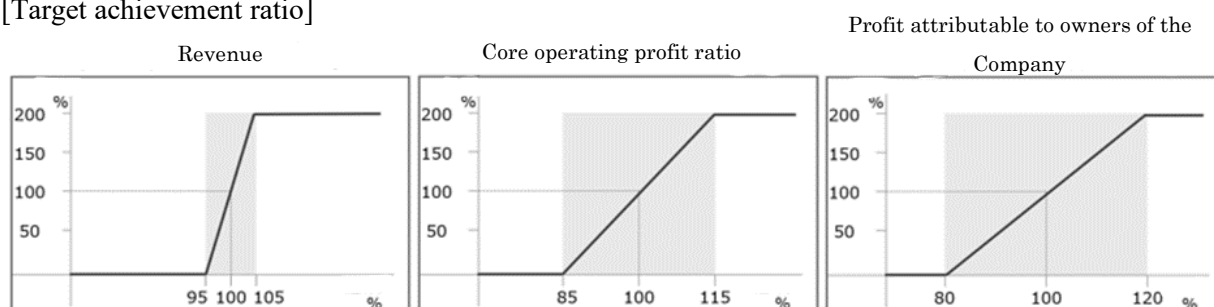
(1) Calculation formula for annual performance-based bonus

Bonus payment amount = Standard amount by position * Achievement of annual targets (revenue + core operating profit ratio + profit attributable to owners of the Company) * 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.

- The performance evaluation of the Executive Chairperson and the President will be determined after deliberation at a joint meeting of the Nomination Committee and the Compensation Committee.
- For other Directors, the evaluation decided by the CEO 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
Executive Chairperson / President	Company-wide tasks such as R&D progress Successor training, etc.	50%-150%	Decided after deliberation at a joint meeting of the Nomination Committee and the Compensation Committee
Other Directors	Department (individual) goals	80%-120%	Performance evaluation (CEO)

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 of the Company 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) Medium-term performance-based share compensation (Long-term incentives)

Medium-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 Medium-term business plan in order to promote management with an emphasis on increasing shareholder value over the medium to long term.

The trust period for the fiscal year covered by the medium-term 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 the Company's 5-Year Business Plan announced in fiscal 2021 have been 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, the Company 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.

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

The Compensation Committee fully discusses the compensation policy, the level of compensations, the composition of the compensation, the ratio of the composition of compensations, Clawback provision, the compensation governance and decision-making process, amount of annual performance-based bonuses, allocation of restricted share, and result of medium-term performance-based share compensation. In addition, the Compensation Committee discusses and confirms the detailed design of indices for the achievement of each compensation, and also verifies the compensation levels for each position.

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 the General Shareholders Meeting.

- As stated in the above policy, the Compensation Committee fully discusses the compensations policy, the level of compensations, the composition of the compensation, the ratio of the composition of compensations, Clawback provision, the compensation governance and decision-making process, amount of annual performance-based bonuses, allocation of restricted share and result of medium-term performance-based share compensation, and allocation of 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. We judge 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 basic, fixed compensation in view of the role of oversight of management and no position to take charge of business execution.
- The level of basic compensations is set aiming to provide high level compensations in the industrial sector, 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 Audit & Supervisory Board Member has been determined through the discussion and with the unanimous consent in the Audit & Supervisory Board meetings within the total amount of the compensation approved by the General Shareholders Meeting.