

Risk Management

The Daiichi Sankyo Group identifies factors that may prevent the Group from attaining its organizational goals and targets and that can be predicted in advance as risks. The Group is promoting risk management by taking steps to address risks inherent in corporate activities by retaining, reducing, avoiding, or transferring these risks. In addition, we seek to minimize the impacts of risks on people, society, and the Group should they occur.

Risk Management

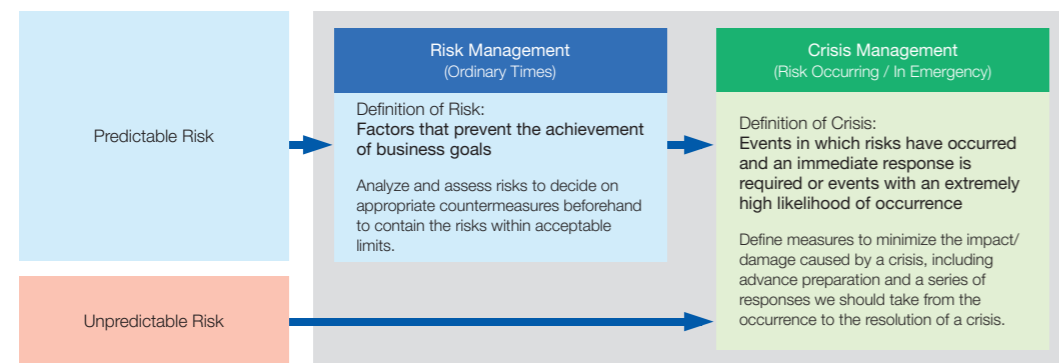
In the Group, the Chief Financial Officer (CFO) oversees Group-wide risk management as the Risk Management Officer (RMO) and promotes risk management in conjunction with an annual cycle of formulating and implementing business plans.

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

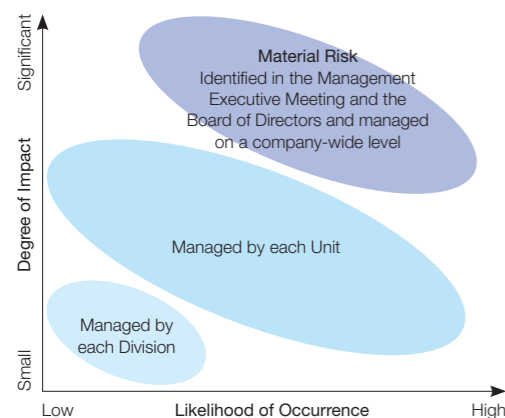
The Risk Management Office assesses the risks identified by each unit from the aspects of their impact and probability.

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

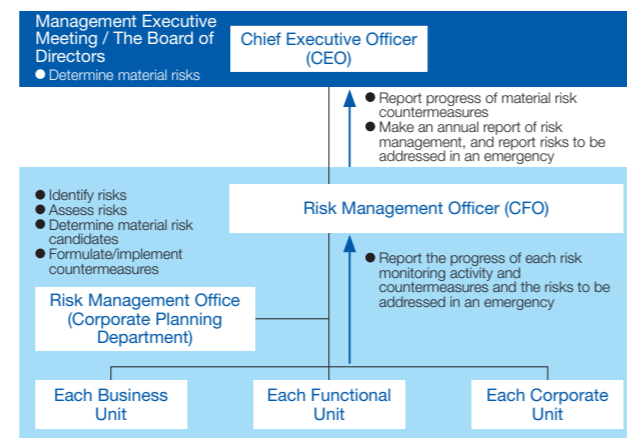
Overview of Risk & Crisis Management



Conceptual Diagram of the Group's Risk Level Classification



Overview of the Risk Management Structure



Major Risks and Their Management

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

Area	Material Risk	Risk Summary	Status of Risk Management
Research and Development / Alliances with Other Companies	✓	For new drug candidates, in particular, <i>Trastuzumab deruxtecan (DS-8201)</i> and <i>Datopotamab deruxtecan (DS-1062)</i> which Daiichi Sankyo and AstraZeneca entered into a global collaboration to jointly develop and commercialize, potential risks include the discontinuation of the research and development (R&D), changes to approval review criteria and other similar matters that may result in failure or delay to obtain approval, and the terms and conditions of agreements with respect to alliances of R&D may be amended or terminated, among other risks.	<ul style="list-style-type: none"> Established and continue to work on a joint executive committee between the Group and AstraZeneca regarding <i>DS-8201</i> to formulate a vision and strategy and to manage progress, among others Manage and reduce pharmaceutical risks through constant communication with the applicable authorities
Side Effects and Quality Issues of Pharmaceuticals	✓	Pharmaceutical products may be recalled or withdrawn from the market due to quality issues or unpredicted side effects. Significant expenses may be incurred in connection with liability for health damage or other similar matters.	<ul style="list-style-type: none"> Perform objective assessments, safety reviews, and analysis of safety management information (e.g., information on side effects) globally collected; and deliver information, as appropriate, to the authorities and/or healthcare practitioners Provide all employees with training in safety management every year
Overseas Business Development		Overseas business operations may bring risks of political instability in certain regions, adverse economic conditions, conflicts with laws, regulations, or other requirements, and deterioration of labor-management relations.	<ul style="list-style-type: none"> Appoint persons in charge of risk management at group companies outside of Japan, and collect and share information on a regular basis When a problem arises, the persons in charge of risk management serve as a centralized contact point for solving the problem promptly in cooperation with local group companies
Manufacturing / Procurement	✓	There is a potential adverse effects of delay, suspension, or other similar issues in manufacturing and procurement due to damage to the Company's facilities, impairment of social infrastructure, or technical reasons, among others.	<ul style="list-style-type: none"> Put systems in place to restore operations quickly and to ensure a steady supply of pharmaceuticals with assured quality to help support the continued provision of medical services, in the event of an emergency Disperse manufacturing and distribution sites, and introduce private electricity generators Strengthen the IT infrastructure such as having redundant systems
Environment / Safety		There are possibilities that people, both internal and external, can be exposed to chemicals, and soil, air and other pollution could cause adverse environmental impacts. Also, meteorological disasters or global warming as a result of climate change may cause supply chain disruptions, increasing manufacturing costs. As a consequence, these factors would induce adverse effects on a stable supply of pharmaceuticals.	<ul style="list-style-type: none"> Established SOPs to manage chemical substances which is including stricter criterion value than regulatory standards, and undertake continued monitoring Disclose information in accordance with the Task Force on Climate-related Financial Disclosures (TCFD)
Intellectual Property Rights	✓	If a third party asserts that the Group's business operations have infringed the party's patent or other intellectual property rights, there is a possibility of facing a lawsuit or otherwise abandoning the business. If a third party infringes the Group's intellectual property rights, there is a possibility of filing a lawsuit.	<ul style="list-style-type: none"> Create and protect intellectual property to maximize values and minimize risks Establish a system to minimize the impact of any intellectual property dispute in cooperation with internal and external parties
Litigation	✓	Lawsuits may arise over pharmaceutical side effects, product liability, employment/labor issues, and fair trade issues, among others.	<ul style="list-style-type: none"> Minimize legal risks and maximize business opportunities under applicable laws and regulations, contracts, and dispute prevention and resolution Establish preventive measures to prevent compliance violations as well as strong remediation to address any such violations
Laws, Regulations, and Regulatory Trends to Limit Healthcare Expenditures in Japan	✓	Adverse effects may be caused by administrative measures related to drug price reduction, the healthcare system, and health insurance.	<ul style="list-style-type: none"> Revise wholesale prices and rebates in light of NHI drug price system reforms and distribution improvement guidelines Establish and implement appropriate sales contracts
Breaches of Laws	✓	There is a risk of serious breaches of laws and regulations, including personal fraud by executives and employees.	<ul style="list-style-type: none"> Monitor and audit business operations to detect any inappropriate activities as early as possible Strictly comply with laws and regulations and implement measures to prevent breaches and raise awareness through education, ongoing training, and other similar activities
Financial Market and Foreign Exchange Rate Fluctuations	✓	Adverse effects may result from a sluggish stock market, interest rate trends, or exchange rate fluctuations.	<ul style="list-style-type: none"> Reduce cross-shareholding shares Review the Japanese pension fund asset allocation during the period Enter into currency hedging transactions
IT Security and Information Management	✓	Network virus infection, cyber-attacks, and other similar events may result in a system shutdown or leakage of confidential information including personal data.	<ul style="list-style-type: none"> Appoint the CIO^{*1} and the CISO^{*2} to establish a global organizational structure in the information field Provide employees with continuous information management training Develop security systems including safeguard function and breach detection/handling function Strengthen the Group's information security infrastructure and improve its operation
Recoverability of Deferred Tax Assets	✓	Decrease in the amount of taxable income, deductible temporary differences due to tax reform or other reasons, and reassessment of tax loss carryforwards may have adverse effects.	<ul style="list-style-type: none"> Review future taxable income as appropriate in light of changes in the business environment and other factors
Securing Talent		There is the possibility that we may not be able to sufficiently secure employees with high job performance skills, a high degree of specialization and expertise required for each job as well as digital resources partly due to intensified competition in the recruitment market.	<ul style="list-style-type: none"> Enhance planned recruitment activities, and secure talent through a diversity of approaches Secure and develop human resources through an in-house training
Impact of Spread of COVID-19	✓	Delays of goods in the supply chain and other similar issues caused by the spread of COVID-19 may affect the stable supply of products. In addition, delays in ongoing clinical trials and protocol violations resulting from the uncertainty in clinical settings due to COVID-19 may also impact product value.	<ul style="list-style-type: none"> Set up a COVID-19 Emergency Headquarters Ensure the supply of pharmaceuticals Continue to manage and modify clinical trials with the highest priority on the safety of subjects

*1 Chief Information Officer *2 Chief Information Security Officer

Risk Management

Crisis Management

The Group's Global Crisis Management Policy collectively defines "crises" as events that have occurred and require immediate response and other events with an extremely high likelihood of occurrence, among potential risks in business activities. For the purpose of minimizing loss due to the occurrence of a crisis, the policy stipulates basic items related to crisis management.

The Group also has a structure to respond flexibly to crisis depending on the event (disaster, accident, incident including terrorism, scandal, breach of laws, information management-related problem, product-related problem) or the degree of impact of the crisis (see the figure below "Initial Response to Crisis"). We have clearly defined the reporting criteria and lines and established the Crisis Management Officer (CMO), either the CEO or an officer appointed by the CEO, and the person

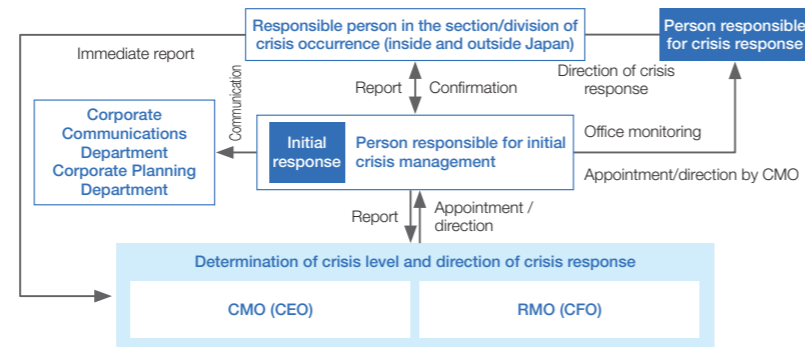
responsible for the initial crisis management (the Vice President of the Corporate Affairs and Procurement). For a crisis with a global impact requiring a group-wide response, we strive to prevent circumstances from becoming worse and to resolve it at an earlier stage by sharing the relevant information with the RMO (CFO) and through prompt and appropriate initial response. After the crisis has been resolved, we conduct an ex-post analysis to prevent a recurrence of the crisis and improve, as necessary, our response protocol.

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

Basic Policy

In the event of a crisis, crisis management shall be conducted promptly and with certainty to minimize the impact on people, society, and the company with the principle of securing the lives of employees of the Daiichi Sankyo Group companies and related parties and the safety of the local community, and fulfilling the responsibilities of a company that is engaged in a business that affects human lives, and making efforts to ensure business continuity and early recovery from the crisis.

Initial Response to Crisis



Business Continuity Plan (BCP)

* Business Continuity Plan

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

BCP assuming natural disasters and facility accidents

Based on its experiences following the Great East Japan Earthquake, the Group revised our BCP in 2012. Since then, we have continued to improve upon the BCP through such means as reviewing the list of priority supply drugs for which supply should be prioritized and the disaster response plans at our production sites based on revisions to national disaster response plans and social needs. In this manner, we strive to ensure effective response and cope with the increasingly complex and globalized production and logistics landscape if the threat occurs.

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

BCP measures are taken for necessary management resources such as facilities, logistics/inventory/personnel, and information from four viewpoints: implementing preventive measures, ensuring diversity, ensuring support measures, and ensuring alternative measures.

Action Plan for the Pandemic of New Influenza

To prepare for a global outbreak and pandemic of new influenza, the Group formulated the action plan for the Pandemic of New Influenza in 2009 for the purpose of ensuring the safety of employees and their families and continuing the supply of pharmaceuticals. In response to the recent outbreak of COVID-19, we have taken flexible measures in accordance with the action plan, and, based on the knowledge gained through this experience, we will review the action plan to make it more practical.

Actions for Information Management and Security

Recently, the information management environment has changed significantly, including the rapid increase in sophistication of cyber attacks and the strengthening of information-related laws and regulations in each country. The Group considers that taking actions against risks associated with information management is one of the important matters in corporate activities, partly because opportunities for collaborations with other companies have been increasing. As such, we are strengthening measures globally with regard to information management/security structures while developing regulations on information management and a security system, among others.

Strengthening Information Management Governance Structure

In order to provide stable products and information to patients and other customers, the Group companies are endeavoring to establish a security management system based on ISO/IEC27001.

We have also appointed the CIO responsible for overseeing global specialized function in the information field and the CISO responsible for the confidential information management and the promotion of information security measures in order to prepare policy rules on new digital technologies, laws and regulations, and others.

Unifying Information Management-Related Regulations

For effective and efficient implementation of information management initiatives across the Group, policies and procedures have been standardized among the group companies in Japan. In April 2021, we revised the information security guideline and the information handling guideline to supplement existing rules and serve as practical operational guidelines for employees. We have been maintaining an environment where each employee handles information properly by providing all employees with training in guidelines.

Responding to Cyber Security, Protecting Information Resources

With the aim of taking appropriate measures to deal with the increasing threat of cyber security attacks, the CSIRT* has been established under the leadership of CISO to continuously engage in improving information security not only within the

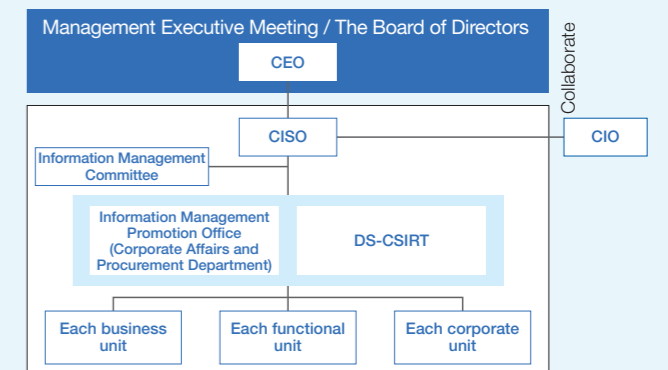
Company, but also outside the Company.

In order to strengthen measures against cyber attacks on IT systems, among others, we are promoting the reinforcement of information security infrastructures such as, for example, safeguard function and detection/handling function and the improvement of infrastructure operations to raise the level of measures globally.

We believe that the vigilance of all employees is essential to respond to security issues and protect information resources. With this in mind, as part of the information security education activities for employees, which are conducted according to the situation at each Group company, we continue to conduct e-learning about information security as well as awareness-raising and reminding staff about targeted e-mail attacks and other cyber threats.

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

Overview of the Information Management and Security Structure



Toward Realizing Value Creation and Business Continuity through the Information Management



Hironobu Furuta, CISO

Developing Information Management/Infrastructure to Improve the Corporate Value

For further improvement of corporate value, we are recognizing that appropriate information management is one of the key management issues. Accordingly, we have worked on creating a mechanism for safe and secure use of information by setting the basic policy on information management as well as developing rules and guidelines. In addition, by regularly educating employees and taking steps on the use of cloud-based services, we are improving information literacy and information-related ethics of each employee so that they can have a correct understanding of information security. Furthermore, with cooperation with CIO, we are stepping up efforts to ensure information security, indispensable for promoting DX* as a part of the business strategies of the entire Company and each organization.

* Digital Transformation

Business Continuity through Cyber Security Measures

The information management landscape has been changing drastically in society partly due to the rapid increase in sophisticated cyber attacks. Colleagues across the Group companies possess important information which is confidential to DS and also our business partners. This is, in part, true because opportunities for collaborations with other companies have been increasing. Therefore, ever-tighter management of information is required. Given these circumstances, the Group companies have adopted stricter cyber security measures with the following five functions in mind and strives to secure business continuity by actively grasping and responding to risk factors like information leak.

- Identify**— Gathering information on and recognizing threat to information security
- Protect**— Reducing the likelihood of threat occurrence
- Detect**— Detecting incidents as early as possible
- Respond**— Preparing an incident response plan, and reducing the impact
- Recover**— Developing system recovery procedures

The CSIRT also promotes initiatives aimed at dealing with the threat of cyber attacks in cooperation with a variety of organizations including those in the same and other industries and public institutions. The CSIRT is to contribute to improving security not only within the group of companies, but throughout society.