

Risk Management

The Daiichi Sankyo Group defines "risks" as those factors that may prevent it from achieving its goals and targets and that can be predicted in advance. We take appropriate measures against risks inherent in our corporate activities through retaining, reducing, avoiding, and transferring these risks; should risks materialize, we promote risk management to minimize impacts on people, society, and the Group itself.

Promoting Risk Management

We have established a risk management system that provides for appropriate responses to risks inherent in our corporate activities. The Head of Global Compliance and Risk oversees risk management across the entire Group as the Risk Management Officer (RMO), and promotes risk management in line with the annual cycle of business planning and execution.

In addition, the heads of each unit autonomously manage risks to aid the achievement of their unit's goals and targets. To this end, they identify risks, carry out assessments to evaluate the likelihoods and potential impacts of these risks; formulate and implement countermeasures, and provide information, training, and education related to their unit's risk management.

The RMO assesses the risks reported by each unit and identifies those that could potentially have a major impact

on the Group's corporate management as material risks at the Executive Management Committee (EMC) Meeting and the Board of Directors (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. Should signs of a Material Risk be detected, responsible person is instructed to swiftly provide relevant information to the RMO, who will then report to the CEO. In addition, the progress of Material Risk countermeasures is periodically monitored twice a year, and are revised as necessary. If new material risks requiring urgent action are identified, they will be added to the list of Material Risks by the EMC and the Board of Directors under the supervision of the RMO.

Conceptual Diagram of the Group's Risk Level Classification

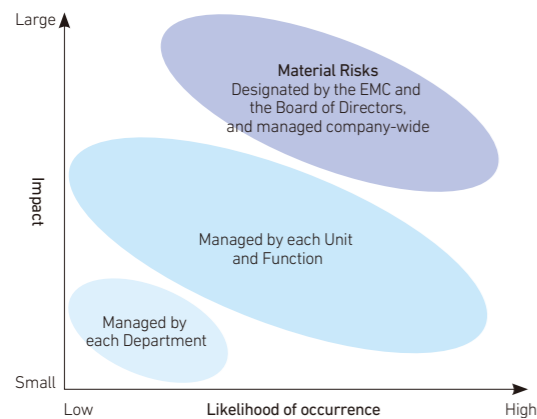
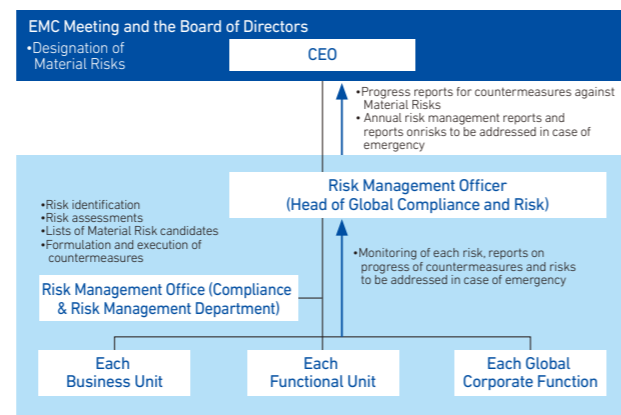


Diagram of Risk Management System



Overview of Risk and Crisis Management

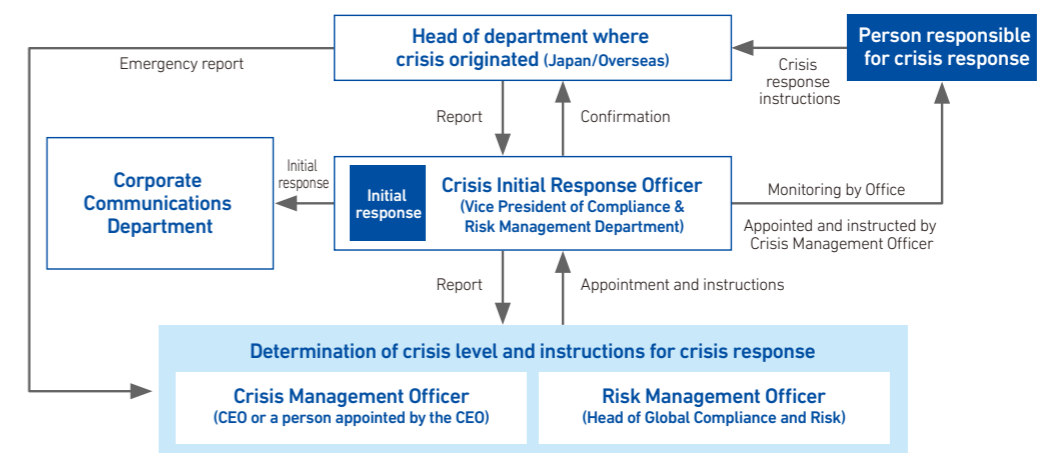
Risk Management Under Normal Circumstances	Materialized Risks and Emergency Events
<p>Risk Management</p> <p>Definition of "Risk": Factors that prevent the achievement of business goals</p> <p>Proper response to assess and analyze risks and then contain the risks within acceptable limits</p>	<p>Crisis Management</p> <p>Definition of "Crisis": When risks have materialized and require emergency responses, or when risks have an extremely high likelihood of materializing</p> <p>Preparations to minimize impact and damage in the event of a crisis, and comprehensive response from occurrence to resolution</p>
<p>Business Continuity Plan (BCP)</p> <p>Definition of BCP: Plans to ensure that, in the event of unforeseen circumstances, critical business operations are either not disrupted or, if they are disrupted, are swiftly restored</p> <p>Examine the management resources required to continue critical business operations, establish recovery procedures, and ensure that plans are maintained and improved</p>	

Crisis Management

The Daiichi Sankyo Group Crisis Management Policy defines crisis as a collective term both for business risks that have materialized and that require immediate response, and for business risks that have an extremely high likelihood of materializing. For the purpose of minimizing loss due to the occurrence of a crisis, the policy stipulates basic items related to crisis management: "Upon the occurrence of a crisis, the Daiichi Sankyo Group shall respond immediately and precisely based on the following principles: ensuring the safety of the lives and communities of Daiichi Sankyo Group employees and related personnel; and fulfilling the responsibilities as a life science company. The Group shall endeavor to minimize human, social, or corporate losses and strive for business continuity and quick recovery." The Group also has a structure to respond flexibly to crisis depending on the

type (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 "Initial Response to Crisis" diagram below). We have clearly specified the reporting criteria and channels and established the Crisis Management Officer (either the CEO or a person appointed by the CEO), and the Crisis Initial Response Officer (the Vice President of Compliance & Risk Management Department). For a crisis with a significant global impact requiring company-wide response, we strive to prevent the situation from escalating and to resolve it by sharing the relevant information with the RMO (Head of Global Compliance and Risk) and through quick and appropriate initial response. After the crisis has been resolved, we conduct ex-post analysis to prevent its recurrence and improve our measures.

Initial Response to Crisis



Business Continuity Plan (BCP)

We have established a business continuity plan (BCP) with an all-hazards approach to address various threats to business continuity, and have built a system to ensure the stable supply and quality of drugs as well as the continuity of research and development in order to meet the demands of society even in times of emergency. To respond to the increasing diversity of crises and the globalization of business, we are continuously improving our BCP so that we can respond appropriately when new threats materialize, including by conducting BCP drills.

Supply for raw material procurement, product manufacturing and logistics are becoming increasingly complex.

Under these circumstances, we have implemented countermeasures from four perspectives: taking preventative measures, ensuring redundancy, securing supportive measures, and maintaining alternative measures for management resources required to maintain a stable supply of drugs, including facilities, inventories, personnel, and information systems.

In addition, we regularly review our priority supply drugs to ensure that we can promptly supply products that carry significant social responsibility for us as a pharmaceutical company, as well as products that are important for the continuity of our business.

Major Risks and their Management

The table below lists the Major Risks identified by the Group's Material Risks and management risks at each unit and department management level. In identifying these risks, we have taken into consideration the potential impact they may have on investment decisions

Area	Material Risk	Risk Summary	Status of Risk Management
Research and Development / Alliances with Partner Companies	✔	For new drug candidates, risks include: the suspension of research and development—in particular for trastuzumab deruxtecan (T-DXd / DS-8201; anti-HER2 ADC; product name: Enhertu®) and datopotamab deruxtecan (Dato-DXd / DS-1062; anti-TROP2 ADC), on which we are collaborating with AstraZeneca; changes to approval review criteria resulting in failure to obtain approval; and changes to the terms and conditions of our R&D alliances, or their termination	<ul style="list-style-type: none"> Establish a Joint Executive Committee with AstraZeneca, create a unified vision between the two companies for each area of collaboration, and use this vision to formulate and manage the progress of strategies Ensure constant communication with pharmaceutical regulatory authorities in each country, as a means of managing and reducing risks
Pharmaceutical Side Effects and Quality Issues	✔	Pharmaceutical products may be recalled or withdrawn from the market due to quality issues or unforeseen side effects; significant expenses may be incurred due to resulting allegations of injury and other matters of liability	<ul style="list-style-type: none"> Perform objective assessments, reviews, and analysis of safety management information (e.g., information on side effects) globally collected; and share this information with health care professionals in an appropriate manner Provide all employees with training in safety management information every year
Overseas Business Expansion	✔	Operations overseas may be impacted by a number of factors, including: political instability; deterioration of economic circumstances; contraventions of local laws and regulations; and worsening labor management relations	<ul style="list-style-type: none"> Appoint risk management officers at group companies outside of Japan, and collect and share information on a regular basis When a problem occurs, the risk management officer serves as a hub for coordinating with local Group companies, aiding prompt problem resolution
Manufacturing and Procurement	✔	Risks affecting manufacturing and procurement activities may include damage to Group-owned facilities, impairment of social infrastructure, and technical issues	<ul style="list-style-type: none"> Establish systems to rapidly restore operations in the event of an emergency and to ensure stable supplies of pharmaceuticals with assured quality for the continued provision of medical services Continuously improve BCP by reviewing operations and organizational structure related to priority supply items, etc. Periodically review list of priority supply items Ensure distribution of manufacturing and logistics bases, and install private electricity generators Strengthen IT foundations, such as by ensuring redundancy in core systems
Environment and Safety		Risks include exposure to chemical substances for people both internal and external; adverse impacts on the environment through soil and air pollution; fragmentation of supply chains for pharmaceuticals due to extreme weather disasters, global warming, and other phenomena related to climate change; and rising manufacturing costs negatively affecting the stable supply of pharmaceuticals	<ul style="list-style-type: none"> Establish and ensure continuous monitoring of independent management standards that are more rigorous than those set by local authorities Disclose information according to recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)
Intellectual Property Rights	✔	Third party claims of patent infringement or other intellectual property claims against the Group, which could interrupt the Group's business or result in legal action; the Group itself may initiate legal action if a third party is found to have infringed Group-owned intellectual property rights	<ul style="list-style-type: none"> Maximize value and minimize risks for the creation and protection of intellectual property Establish systems to minimize the impact of intellectual property disputes on business by working together with internal and external parties
Litigation	✔	Lawsuits may arise over pharmaceutical side effects, product liability, employment/labor issues, and fair trade-related litigations, 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
Laws and Regulations and Regulatory Trends to Limit Healthcare Expenses	✔	Negative impact may arise from administrative measures related to drug price revisions, 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 Monitor drug price policies in each country Draw up and implement appropriate sales contracts
Legal Risk	✔	There is always legal risk the Group is cognizant of, including the serious risk associated with illegal conduct by executives and employees.	<ul style="list-style-type: none"> Monitor business operations to detect any inappropriate activities as early as possible Prevent violations through strict compliance with laws and regulations and through educational and awareness-raising activities Establish measures to prevent compliance violations and take strict action when violations occur
Financial Market and Exchange Rate Fluctuations	✔	Negative effects may result from stock market behavior, interest rate trends, or exchange rate fluctuations	<ul style="list-style-type: none"> Reduce cross holdings Implement mid-term reviews of pension fund asset allocations Execute 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"> Establish global organizational system in the information field with CDXO* as the general manager Provide employees with continuous information management training Establish security systems with defense functions and infringement detection and countermeasure function Strengthen information security infrastructure and improve its operation
Recoverability of Deferred Tax Assets	✔	Negative impact may result from reductions in taxable income, deductible temporary differences due to tax reforms, and reassessment of tax loss carryforwards	<ul style="list-style-type: none"> Review future taxable income as appropriate in light of changes to business environment
Securing Talent		Increasingly competitive job markets may result in an inability to secure either sufficient talent in IT-related fields or employees with the high levels of expertise required for various roles	<ul style="list-style-type: none"> Secure talent by strengthening systematic recruitment activities and incorporating diverse approaches Develop and secure talent through internal training programs Promote both One DS Culture and Inclusion & Diversity (I&D), and analyze and improve employee engagement through global engagement surveys

* Chief Digital Transformation Officer

Information Security

● Improvement and Strengthening of Information Security Management System

To ensure a stable supply of products and provide reliable information to customers, we have established a global information security policy and information security measures on a global scale under the leadership of the Head of Global Information Security. In addition, the CDXO, the chief officer and director of the digital domain together with information management functions, supervises digital transformation for the entire organization, and oversees the conduct of its operations.

The information and system assets referred to in this policy include data, media, information systems, industrial systems and paper-based systems containing information on our business partners, customers and business units. As for information management centered on document management, Daiichi Sankyo works to ensure thorough information management by ensuring safety and reliability, standardizing, and continuously assessing all Group companies in Japan to ensure appropriate controls are in place. As for information security, we established the Daiichi Sankyo Group Information Security Standard with the aim of raising the level of implementation of global security measures in FY2022. In addition, starting in FY2023, such functions have been transferred to Global DX, and information security for the entire Group will be further strengthened jointly with digital functions. In order to protect information resources from security threats, it is paramount to continuously raise the awareness of all employees. To educate employees about cyber-attacks and targeted e-mails, etc., an information security awareness campaign is executed on an ongoing basis at each of the Group Companies.

● Measures for Cyber Security

The CSIRT, the framework for dealing with computer security incidents in enterprises, is managed under the leadership of the Head of Global Information Security in order to respond to the increasing number of cyber-attacks in recent years. With the cooperation of external security partners, the security monitoring system is operating 365/24/7, and a system is in place to respond swiftly to incidents that have occurred.

It is important to collaborate with other organizations in the

same industry as well as other industries to manage the threat of cyber-attacks. In collaboration with external security teams such as external specialist organizations and other companies' CSIRT, we collect information related to cyber security and proposes and promotes security measures for the Group. Moreover, we aim to contribute to improving security not only within the Group, but also for the entire society by building cooperative relations with external organizations. Accordingly, we are continuously engaging in activities centered on CSIRT.

● Personal Information Security Initiatives

Personal information is essential to a company's business activities, but by its very nature, may cause irreparable harm to individuals if mishandled. Based on the Daiichi Sankyo Group Privacy Policy, a global standard for protecting personal information, we have established internal rules that comply with the laws and regulations of each country and region to ensure the safe management of personal information. We also regularly conduct training sessions to ensure that all employees are thoroughly trained to handle personal information in the most appropriate manner. In FY2022, briefing sessions on the revision of internal rules in response to the revised Personal Data Protection Act were held in Japan, as well as e-learning for all directors and employees. Also, we conducted monitoring to ensure that the revised rules were thoroughly implemented.

In addition, with regard to handling Individual Numbers in Japan, nicknamed "My Number" information, we regularly evaluate the security management status of "My Number" information at our vendors and conduct on-site audits. Furthermore, we take appropriate measures such as providing e-learning programs in Japan to ensure that we understand our basic policies and management system.

Moreover, regulations regarding personal information are being tightened around the world, as evidenced by Europe's General Data Protection Regulation (GDPR). We are working to address the personal information protection laws and regulations that will be enforced in the relevant countries and regions.

Going forward, we will continue to work on reducing risks and identifying issues at an early stage to prevent material non-compliance regarding the Act on the Protection of Personal Information.

Strengthening Management Systems for Safety and Quality Assurance

To ensure that we deliver safe and quality products that patients can use with confidence, we have established and strengthened a management system that complies with GMP (Good Manufacturing Practice: standards for the manufacturing and quality control of drugs) and GDP (Good Distribution Practice: standards for ensuring quality in the transportation and storage of drugs), and are working to consistently guarantee quality across the entire process from raw material procurement and storage to drug manufacturing and distribution. We also conduct regular audits of group company

offices and business partners to maintain and improve appropriate quality management systems and reduce risks. With regard to safety, we promote the proper use of drugs by collecting safety management information (information on side effects, etc.) globally, and providing information in the medical setting after objectively evaluating, reviewing, and analyzing the information. Furthermore, we strive to minimize patient safety risks by conducting annual training on safety management information for all employees to ensure thorough safety management.