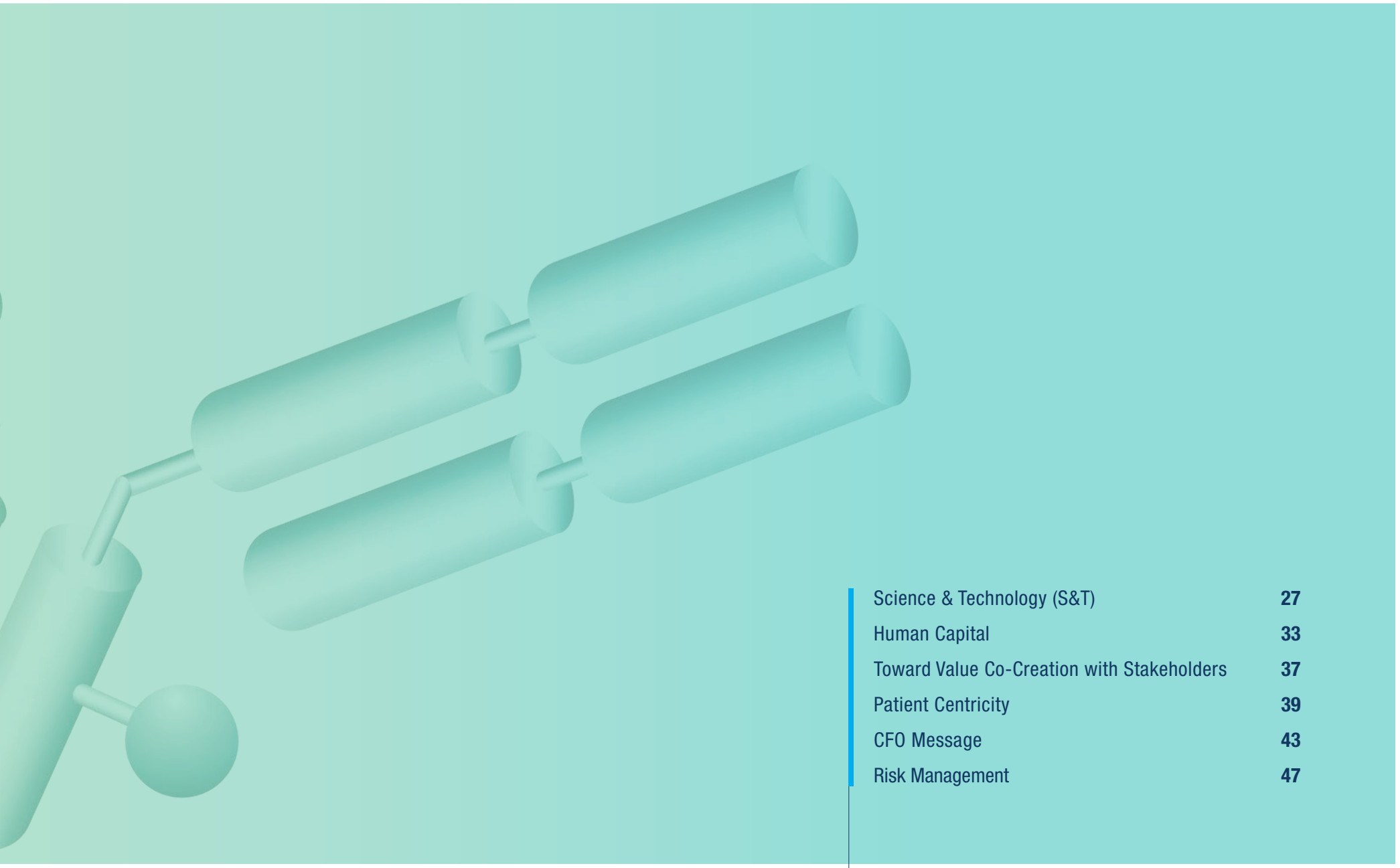
02

Value Creation Story



S&T

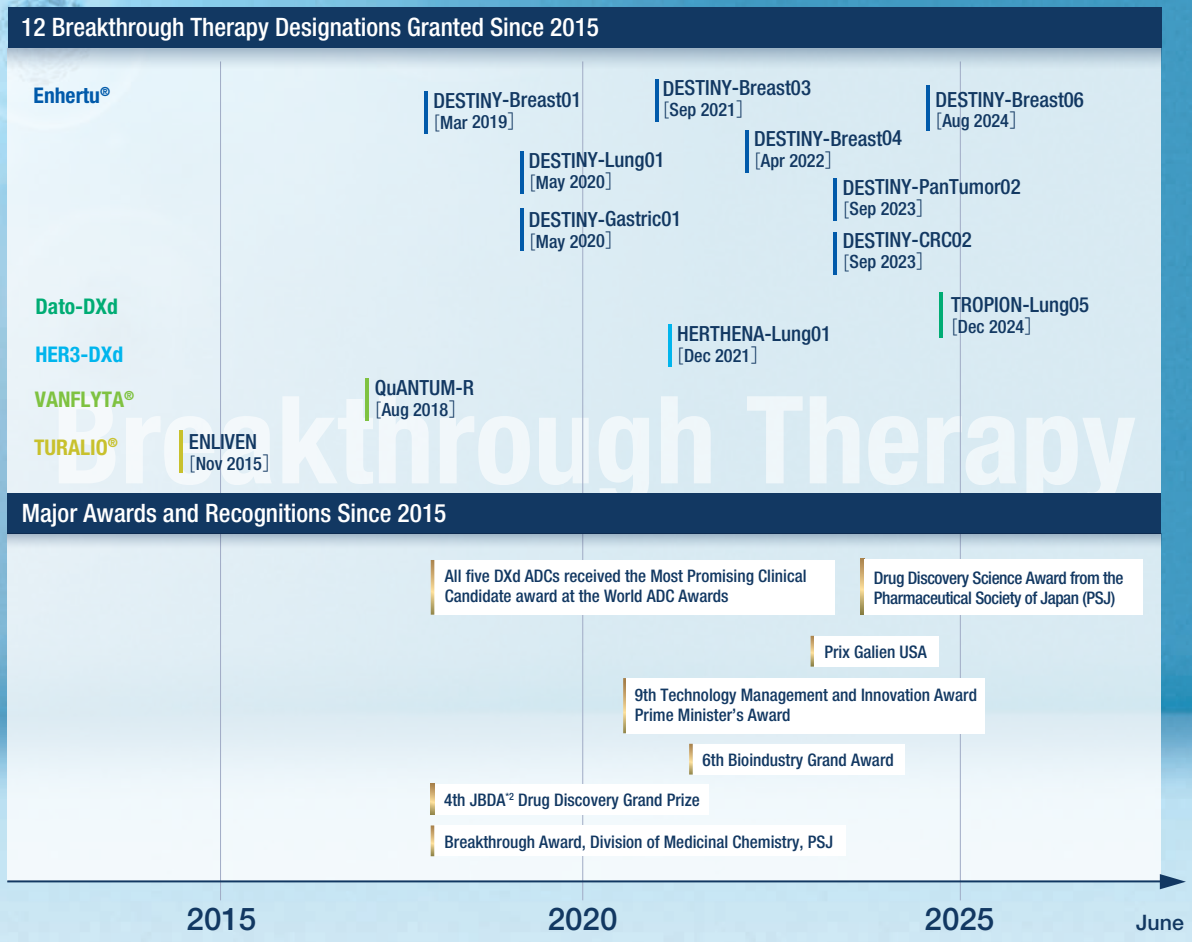
Science & Technology

Drug Discovery Capability that Drives Innovation, and a DNA of Inherited Challenge

Over the past decade, the Daiichi Sankyo Group's Science & Technology has earned high acclaim, including 12 Breakthrough Therapy Designations*1 by the FDA and numerous prestigious drug discovery awards, such as the 2024 Prix Galien USA Award, the equivalent of the most prestigious award in the pharmaceutical industry.

1 Introduction: S&T's Strengths and Path to Growth

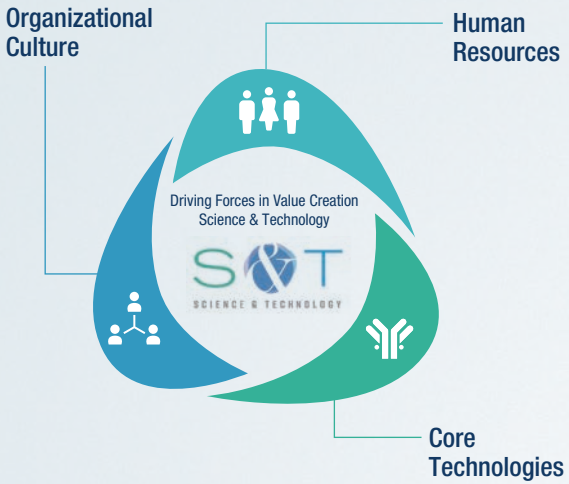
Daiichi Sankyo's greatest strength lies in its Science & Technology (S&T) capabilities. Built over many years, our unique research and development expertise is fully integrated across the entire pharmaceutical value chain, including manufacturing and supply. This foundation has enabled the creation of innovative medicines such as Enhertu® and Datroway®, allowing us to deliver differentiated value in the global market.



*1 Breakthrough Therapy Designation: A program established by the FDA to accelerate the development and review of drugs intended to treat serious or life-threatening conditions. The designation enables pharmaceutical companies to work closely with the FDA, receiving intensive guidance throughout the development process. This close collaboration can significantly shorten the time required for regulatory approval, allowing innovative therapies to reach patients faster.

*2 Japan Bioindustry Development Association

2 Competitive Advantages Based on Research & Development (S) and Proprietary Technologies (T)



● Strengths in Drug Discovery Activities

Our drug discovery activities are based not only on the successful experiences with our proprietary products, but also in the wealth of knowledge gained from extensive research and development (R&D) experiences that did not lead to new drugs. This accumulated expertise is shared across generations, fostering a culture in which researchers continuously deepen their work through mutual learning and collective growth.

Products such as Enhertu and Tarlige® are the culmination of research and development efforts that pursued drugs capable of transforming standard of care. In drug discovery, where the probability of success is extremely low, it is essential to respect the creativity and original thinking of researchers and clinical members. Daily work is carried out in a free and open manner within a culture where even failures are regarded as valuable lessons. For example, in the development of Enhertu, the discovery of DXd as a superior payload—building on past learnings, including Exatecan and the discontinued DE-310—led to the creation of our proprietary DXd ADC platform.

At the heart of our drug discovery activities is a strong desire to deliver medicines that are truly needed by patients. In selecting research themes, we place great importance on both scientific validity and medical significance, examining them from the perspectives of feasibility and potential therapeutic impact. Only those that meet the high criteria set through this rigorous evaluation process proceed to clinical development. Many themes, however, are discontinued for not meeting the criteria and projects are halted during the development stage. Even in such cases, we establish opportunities for reflection by conducting a lessons learned exercise and maintaining a system for sharing valuable insights from these experiences that are shared and applied to future R&D efforts. Where appropriate, and following a formal review process, these insights are also presented externally to help ensure the credibility and transparency of our research.

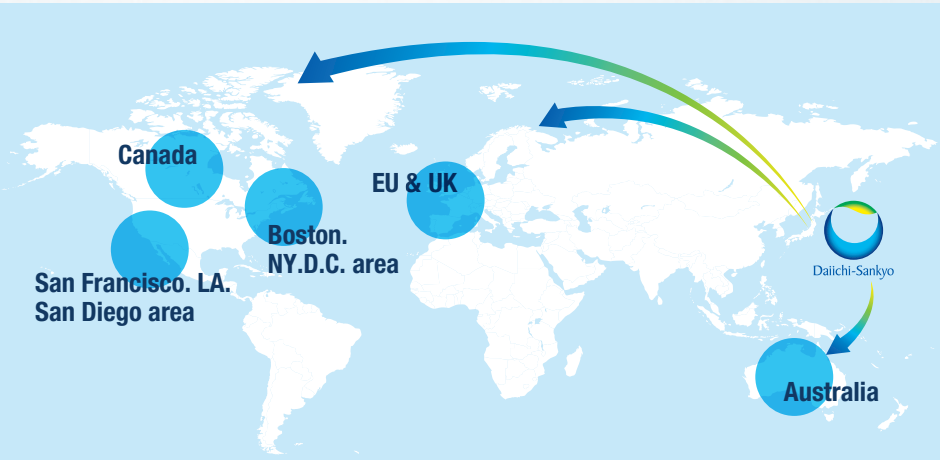
● Strengths of R&D Organization and Culture

Our R&D organization operates under a culture that values creativity and autonomy. A bottom-up environment that encourages open and candid discussions unconstrained by seniority or position has taken root, empowering researchers and clinical members to take initiative.

In human resource development, we prioritize a long-term perspective. To support the continuous growth of our researchers and clinical members, we have established a framework for nurturing “masters of drug discovery & development” by building clear career paths and promoting the transfer of skills and expertise through senior-to-junior mentoring. We also offer diverse growth opportunities, such as support for obtaining doctoral degrees, overseas study and assignments, fellowships, broad learning and development programs, cross-functional rotations within and beyond R&D, and strategic placement that leverages individual expertise.

Through our R&D activities, we have cultivated serial drug inventors—researchers who have created multiple successful medicines—as well as R&D leaders who drive research initiatives. Many inventors on the patents for Enhertu have been involved with other compounds that have successfully reached the market. Engagement in multiple projects enables the accumulation of knowledge and experience, which in turn drives the continuous creation of innovation. The presence of leaders with such experience and track records also serves as a strong source of motivation for junior R&D personnel.

Overseas Study Program



To develop researchers with doctoral degrees, we actively provide opportunities to study outside Japan. Through this program, Japan-based researchers deepen their understanding of cutting-edge science and technology while building networks within the global research community. They are expected to leverage their experiences by proposing new research themes and taking on leadership roles as team leaders. More than 150 researchers in total have been dispatched since FY2007.

Nearly all leaders who drive R&D possess scientific expertise, and deep understanding and respect for science, which is firmly embedded in our organizational culture. This shared mindset enhances trust and teamwork among R&D personnel, forming the foundation for achieving both scientific creativity and effective organizational leadership.

Furthermore, with discovery research and clinical development within the same organizational unit, collaboration between the two functions takes place regularly. This allows the intentions of both teams to be quickly integrated and reflected when setting research and clinical development criteria, enabling seamless execution of R&D.

Our R&D structure also possesses strong adaptability to external changes. During the era of the former Sankyo and Daiichi Pharmaceutical,small molecule drug discovery was the mainstream; however, following their integration, we expanded our area of research to the biologics field under a multimodality strategy. In 2013, we established the Biologics Oversight Function to strengthen our research capabilities and production technologies in new modalities such as antibodies, ADCs, and nucleic acid medicines. Furthermore, in 2016, we appointed R&D leader from global pharmaceutical companies to enhance our development capabilities in the oncology area. Since then, we have significantly expanded our global development capability in oncology by hiring many physician scientists as development leaders. The number of clinical members who have relocated from Japan to the United States and are playing key roles in global development has also increased. These changes are clearly reflected in the transformation of our major pipeline between FY2014 and FY2024.

What enables these transformations is the continuous investment in R&D from a long-term perspective, along with strong leadership that sets a clear direction while respecting the expertise of R&D personnel. By clearly articulating R&D policies and balancing them with creative-thinking, R&D leaders have driven the breakthrough innovations. A relationship of trust and mutual respect between management and R&D serves as the foundation for an organization capable of responding flexibly and agilely to a rapidly changing external environment.

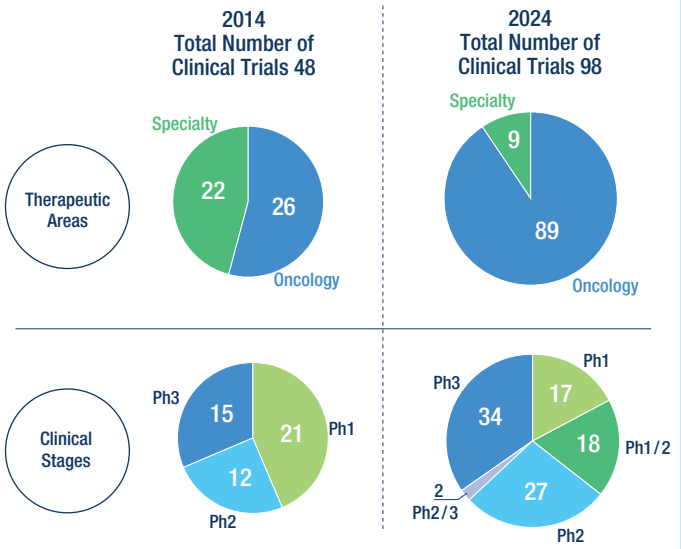
Dedication to quality and careful craftspersonship that has been passed down for over 120 years. It refers to careful coordination of techniques and attention to detail. By combining knowledge, experience, and skills, teams work with perseverance and collaboration to bring new drugs to completion.

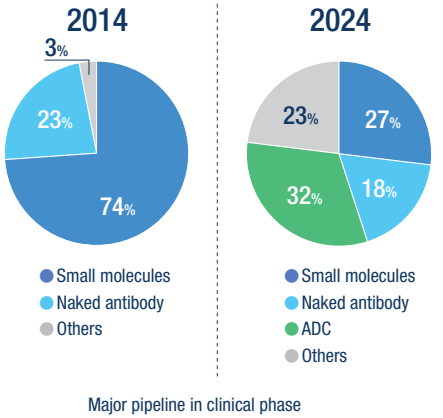
A research culture where people can freely discuss and propose ideas based on one's own thinking, regardless of position or rank

In research and development,, researchers and clinical members experience many failures as they repeatedly test and refine hypotheses to reach conclusions. Such a process, involving trial and error, is sometimes referred to as "intelligent failure" and is actively encouraged, as it contributes to scientific learning and progress.

Changes in Major Pipeline

The major pipeline has significantly expanded, with the number of clinical trials doubling.
The strategic overhaul has led to a shift in our priority disease areas.



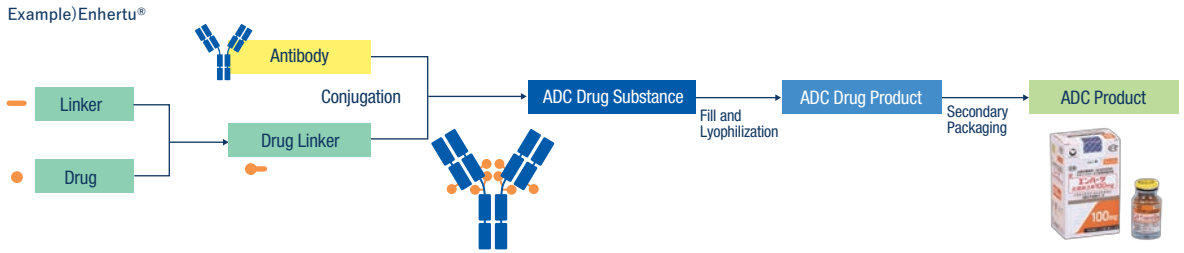


Major pipeline in clinical phase

Pipeline transformation to multimodality

The pipeline composition has shifted from only small molecules/naked antibodies to multi-modalities including ADC, bi-specific antibody, mRNA, etc.

The ADC consists of multiple components, each of which is manufactured and managed separately.



ADCs consist of an antibody, a drug, and a linker that connects the antibody to the drug. The manufacturing process of an ADC involves four main steps: (1) the antibody production process (cell culture), (2) the synthesis process for linking the drug to the linker, (3) the conjugation process that attaches the drug-linker to the antibody, and (4) the formulation process, including filling and lyophilization, to produce the final product. Daiichi Sankyo's strengths are particularly evident in the molecular design and manufacturing process development of ADCs. As the company's internal R&D focus has shifted from small molecule pharmaceuticals to biopharmaceuticals, its continued excellence in synthetic chemistry has been effectively applied to linker design and drug-linker synthesis in ADCs. In addition, the conjugation process—binding the antibody to the drug-linker—embodies our proprietary expertise in reliably producing high-quality ADC drug substances with consistency.

Currently, the Daiichi Sankyo Group is expanding its supply capacity while managing the balance between in-house production and the use of CMOs*3 as part of establishing a robust manufacturing system. Because ADC manufacturing is highly complex, building a stable production system is not an easy task. However, we have been strengthening our partnerships with CMOs that have been able to meet high-quality standards from an early stage. In addition, to prepare for future growth in product demand, we are also making capital investments on the scale of several hundred billion yen.

*3 CMO (Contract Manufacturing Organization)

As we expand our production capacity, new challenges have also emerged. Even when the manufacturing process itself remains the same, differences in production sites necessitate fine-tuning of the processes, and it is essential to make appropriate adjustments. To ensure stable product quality, such adjustments must be repeated multiple times, placing a significant burden on internal resources. However, we work closely with various stakeholders involved with the Daiichi Sankyo Group to continuously pursue further improvements in quality.

We are also considering initiatives to realize the "one-stop shop" concept. Currently, each of the major manufacturing processes for ADCs—antibody production, drug-linker synthesis, conjugation, and formulation—is carried out at multiple global sites. Coordinating these processes requires combining the appropriate sites, which results in long lead times for final product delivery and necessitates complex production planning and supply chain management. By pursuing the "one-stop shop" concept, where multiple ADC processes can be carried out at a single site, we can shorten the transportation lead time between manufacturing sites and significantly improve the overall speed of manufacturing. This would also allow for greater flexibility in responding to sudden schedule or quantity changes during the development stage, thereby accelerating the overall development process.

MESSAGE

From Early-Stage Development to Commercial Production and Supply — A Seamlessly Integrated Organization Supporting our "Science & Technology"

We are continuously working to improve our manufacturing processes to deliver better medicines to patients in a stable manner and to provide products that are accessible to people around the world at appropriate prices.

In 2023, we established the Technology Unit, which integrates three functions—Biologics, Pharmaceutical Technology, and Supply Chain—which plays an important role as part of Daiichi Sankyo's "Science & Technology." The concept behind the Technology Unit is integration of clinical and commercial. By integrating and closely coordinating activities from early-stage development to commercial production and supply, we have built a system that enables the rapid and stable delivery of high-quality medicines to patients. Two years have passed since its establishment, and collaboration within the Unit has been strengthened, allowing us to examine various issues from multiple perspectives and grow into an organization capable of responding flexibly. The Technology Unit is also a large global organization with more than 4,000 members. While sharing the overarching direction of achieving a balance between global alignment and local autonomy, we aim to build an organization where each member can think and act proactively.

Executive Officer
Head of Technology Unit
Hiroto Kashiwase

3 To Generate the Next Innovation

With the aim of sustainable growth, we strive to continuously deliver new value to patients and society by consistently delivering a pipeline of products based on our proprietary technologies and strengthening the human capital base that creates and them.

●R&D Strategy Centered on Technical Superiority

We have continuously created breakthrough new drugs such as Olmesartan, Edoxaban, and Enhertu, which have supported the growth of our business. All of these products originated from our research laboratories in Japan and are signature achievements that exemplify our drug discovery capabilities. The development and launch of Enhertu marked a turning point, establishing our position as a global leader in the ADC field. In particular, ADCs based on our proprietary DXd ADC technology, are enhancing our global presence not only through five products in collaboration with partner companies but also through follow-on candidates such as DS-3939.

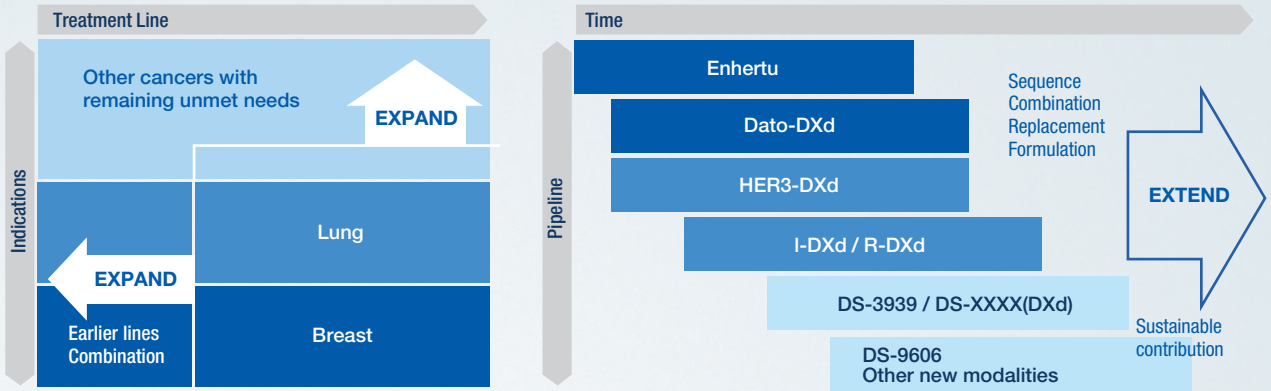
In clinical development, we are working to maximize the value of our pipeline through two strategic approaches: EXPAND, which aims to broaden indications and shift treatments to earlier lines of therapy; and EXTEND, which seeks to prolong treatment duration through sequencing and combination therapies. To sustain and further enhance our continuous creation of new drugs, we are committed to establishing highly innovative technology platforms and continuously generating multiple new products based on these platforms.

Achievements with DXd ADCs are driving the acceleration of research and development of technology platforms across multiple modalities. We have a robust foundation in multi-modality research, including small molecules and antibodies. Building on this, we are developing proprietary technologies across various modalities—spearheaded by next-generation ADC technologies that leverage novel payloads—and are working to create new treatment options. Through these efforts, we aim to achieve more stable and sustainable growth.

These initiatives are expanding not only in the oncology area but also in the specialty medicine area[*4]. Multiple candidates in both fields are expected to progress to the development stage, and they are anticipated to become key pillars supporting our medium- to long-term growth.

*4 Disease areas other than oncology

EXPAND & EXTEND to deliver our technology to more patients



- Establish and expand DXd ADC therapies in Breast and Lung cancers
- Go Earlier explore early lines of therapy/ stage of diseases; replace chemotherapy
- Go Wider: into new indications beyond currently focusing areas to serve more patient needs

- Address unmet needs after Enhertu treatment
- Seek effective treatment sequencing, novel combination, or formulation to enhance efficacy and improve treatment
- Grow early pipeline following 5DXd ADCs to contribute to more patients in the future

●Strengthening Research and Development Foundation for Achieving Continuous Creation of New Drugs

To realize continuous creation of new drugs, it is essential to further enhance our R&D capabilities. A key initiative in this effort is the strengthening of our human capital base. By increasing the number of R&D personnel through expanded hiring of both new graduates and mid-career professionals, we are actively welcoming talent from diverse global backgrounds. Through this, we aim to invigorate our organization and elevate our technological capabilities, while enabling the integration of external knowledge and expertise.

We are also making progress in establishing a global-scale open innovation ecosystem. In addition to leveraging our strong presence in Japan, where our research laboratories are located, we have set up bases in Boston (DS Research Institute Boston) and Munich (DS Research Institute Munich), two of the world's leading innovation hubs[*5]. Through collaborations such as with the Tissue & Cell Research Center Munich (TCRM), we are actively exploring promising drug discovery seeds and advancing cutting-edge research that leverages the unique strengths of each region.

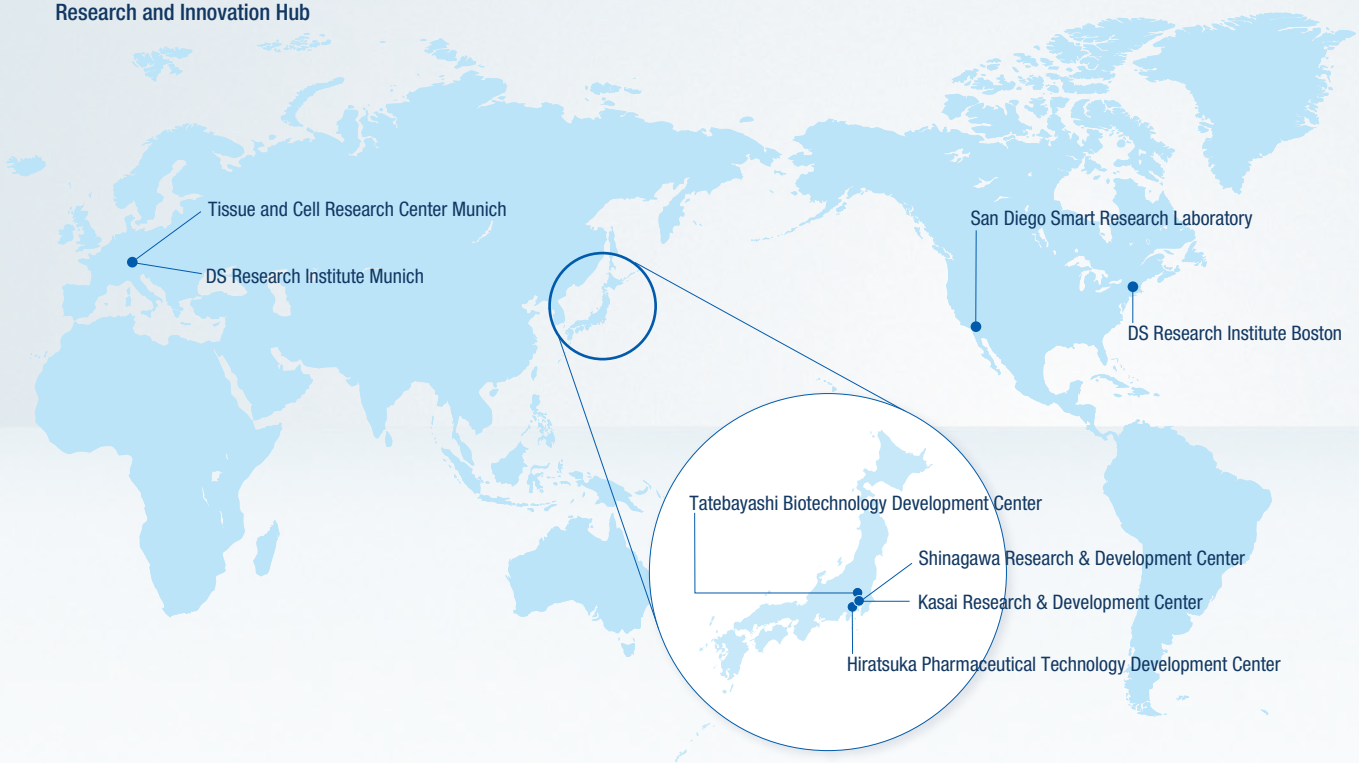
Also, we have newly established a Smart Research Laboratory in San Diego. By implementing an automated experimentation and data integration environment that utilizes robotics and our proprietary high-performance software, we have made 24/7/365 research possible, dramatically improving the reproducibility and productivity of drug discovery. Moreover, it represents an important step toward collecting the vast amount of data necessary for next-generation drug discovery processes such as AI-driven drug discovery. We are also working to create an environment where researchers can focus on intellectual and creative tasks. The results are

continuously shared with our research laboratories in Tokyo, helping to elevate the capabilities of our research infrastructure across the company.

Furthermore, these global sites play a key role not only in driving technological innovation but also in developing the next generation of leaders. Experienced researchers and management-level personnel from Japan have relocated to the research hubs in the US and Europe, where they gain hands-on experience that enhances both organizational capabilities, such as R&D execution, but also individual leadership skills, scientific assessment capabilities, and management acumen. By aligning organizational development with individual growth, we are strengthening our global framework to continuously generate innovation.

*5 Innovation Hub: Bases and mechanisms where key players in innovation, centered on companies possessing knowledge and technology across a wide range of fields gather

Research and Innovation Hub



MESSAGE

Bringing together the power of professionals — The forefront of drug discovery that Daiichi Sankyo's research and development tackles

Since joining the former Sankyo Co., Ltd., I have spent the past 28 years honing my skills both as a drug discovery researcher and in research management. Through numerous trials and errors in research, I have come to deeply appreciate the importance of teamwork above all else. During my journey, I have had the privilege of being involved in the exploratory research of Tarlige® and Enhertu. Researchers with diverse areas of expertise draw out each other's strengths and work together to create promising development candidates. These are then taken forward by clinical development teams, who provide strong leadership to drive clinical trials and ultimately bring new drugs to market. There is a profound sense of fulfillment in this entire process that words alone cannot fully express.

We are driven by a single-minded desire to deliver new treatment options to patients and healthcare providers. With this conviction, our research and development team takes on challenges with earnestness every day. I am proud to say that this unwavering commitment is one of Daiichi Sankyo's greatest strengths in drug discovery. The journey of developing new medicines involves repeatedly formulating hypotheses and testing them. Even when we face failures and setbacks, we stay focused on the needs of patients, deepen our understanding of diseases, turn the lessons learned through these challenges into shared organizational knowledge, and pass them on to the next generation.

New science is being born every day around the world. Remaining ever mindful of these developments, we make continuous efforts to gather information and collaborate—always with humility. It is our mission to conduct drug discovery activities that earn the trust of patients and to consistently deliver new innovations to the field of medicine. The true driving force behind Daiichi Sankyo's Science & Technology lies in nurturing dedicated drug discovery professionals. This unwavering strength will undoubtedly be passed on to the next generation.

Corporate Officer,
Head of RD division,
Head of Research
Yuki Abe

Human Capital

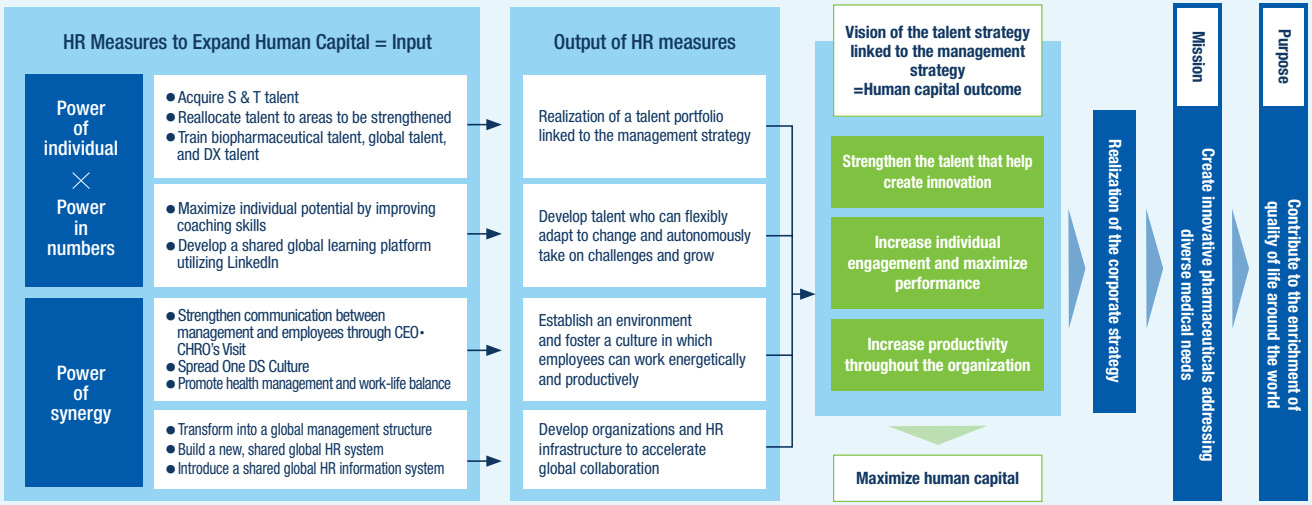
Approach to Human Resources Strategy

At the Daiichi Sankyo Group, our employees are our most important asset. We are investing in our workforce to create powerful and sustainable value toward the realization of our Purpose.
In short, our human resources strategy is aligned with our business strategy. We focus on three elements:

- The power of the individual: continuously developing and supporting individuals,
- The power in numbers: deploying talent in key strategic areas, and
- The power of synergy: creating an environment and mechanisms that lead to synergy among people and organizations.

While actively engaging each element, we verify the effectiveness of initiatives and further refine our human capital allocation and expansion. Additionally, we have established a People Philosophy as a shared global overarching concept and guideline for decision-making in human resources strategy.

For information about the People Philosophy, click here



Realizing a talent portfolio linked to the management strategy

Acquisition of Science & Technology (S&T) Talent

To realize our management strategy, we are strengthening talent acquisition globally with a focus on enhancing S&T, which is the source of our competitive advantage. In FY2024, we hired 2,023 career professionals worldwide, primarily in areas of clinical development and technology (Japan: 267, US: 836, Europe: 329, ASCA region: 591). Among them are multiple individuals with extensive experience and skills who were involved in global new drug business for many years at global major pharma companies and the FDA[*1]. In Japan, where we have core research functions, we continue to focus on attracting and developing PhD talent and highly specialized talent to lead future R&D (18 in FY2022, 21 in FY2023, 31 in FY2024). We are also actively hiring in our production technology division which plays a critical role in ensuring the stable supply of ADC products.

*1 **U.S. Food and Drug Administration**:The FDA is a U.S. federal agency responsible for protecting public health by overseeing and ensuring the safety, effectiveness, and quality of drugs, medical devices, the nation's food supply and more.

Initiatives in Japan for Specialized Talent Development

Our group's global business is growing at an accelerating pace, and the business environment is undergoing rapid change. Accordingly, the skills required of our employees are also evolving significantly. To respond accurately and swiftly to these changes, we have identified three areas to continue strengthening within Japan: Biopharmaceutical (process development, manufacturing, quality assurance, regulatory affairs, etc.), Global Business, and DX.

In addition to proactive hiring and personnel reallocation to these areas, we are enhancing talent mobility to strategic areas through an internal job posting system (Career Challenge System) aimed at employees' self-motivated career development and up-and reskilling.

Specialized Professional Development (Focus Areas)		Desired Talent Profile
Biopharmaceutical Professional	(Antibody Manufacturing Process Development)	Individuals who thoroughly understand the manufacturing processes related to biopharmaceuticals and can conduct process development research that contributes to drug discovery research and cost reduction of 5DXd ADCs.
	(Quality Control/Assurance, Regulatory Affairs, Manufacturing)	Individuals who understand the manufacturing processes of biopharmaceuticals and can demonstrate expertise within the technology unit and across the entire value chain to advance biopharmaceutical-related operations.
Global Professional (Global Business Areas in Various Departments)		Individuals who can rapidly and equitably share information and decision-making globally, possess global skills (such as proficiency in English, cross-cultural adaptability, and an international perspective), and are capable of performing global tasks regardless of their location.
DX Professional (Global DX and DX-Related Business Areas in Various Departments)		Individuals who understand both the business requirements and digital/data aspects across the Daiichi Sankyo Group's value chain, and can drive DX transformation in existing businesses and operational processes.

Specific Initiatives for Biopharmaceutical Talent Development (Initiatives in the Technology Unit)

The development and stable supply of ADC products requires cultivating strong talent with specialized knowledge (process development, manufacturing, quality assurance, regulatory affairs, etc.). The Technology Unit is developing and securing talent from a medium- to long-term perspective by strengthening our recruitment activities, early development, training manufacturing engineers, and seamless personnel exchange across organizational and functional boundaries.

We are recruiting top talent through internship activities targeting students from technical colleges. For the development of manufacturing engineers, we made significant capital investments to create a dedicated training environment. In April 2024, we launched the Manufacturing Operator Development Program, which accelerates the efficient development of biopharmaceutical talent. We are also systematically advancing hands-on training education using actual manufacturing equipment.

Furthermore, leveraging our strength as a global unit that integrates functions from early development to commercial production, we are also focusing efforts on seamless people exchange. During the startup of ADC manufacturing facilities at the Pfaffenhofen plant in Germany, European manufacturing engineers worked in our factories in Japan to acquire technology expertise, advancing the development of engineers through cross-border collaboration. We will continue to actively develop and strengthen the talent needed to deliver a stable supply of high-quality pharmaceuticals to patients around the world.

DS Academy

We established an internal leadership training program called DS Academy in FY2024 with the purpose of developing next-generation global leaders. This program targets approximately 30 executive candidates globally and aims to build engagement around Daiichi Sankyo's DNA through the acquisition of advanced management and leadership skills, as well as cultivating an enterprise mindset and deepening understanding of our culture. Management members are fully committed to this program and are directly involved in participant development through interactive discussions and mentor sessions with participants.

Two DS Academy participants, Director, Executive Officer Ueno and Corporate Officer Abe, join as Executive Management Committee (EMC) members, demonstrating that next-generation leader development is progressing dynamically.

Details of DS Academy

Period	From April 2024 for two years (to be conducted as a pilot program, with full-scale implementation planned from 2026)
Method	In-person training sessions, group discussions, and mentoring sessions with EMC members, etc.
Participants	Approximately 30 people（Vice President level, by nomination）
Contents	● Core Skill Development (e.g., entrepreneurship, leadership, industry environment, vision, and strategy) ● Understanding DNA of DS (e.g., DS history, Core Values & Behaviors, Patient Centricity)

Message from the Dean of DS Academy

Starting with Tokyo in April 2024, we have conducted three in-person sessions of the flagship program in Germany and the United States.

Through diverse experiences including dialogue with three former CEOs and visits to production sites in Japan and Germany, as well as the Research Institute Boston that are producing innovative results, we are broadening participants' perspectives and knowledge.

In addition to in-person sessions, we provide opportunities for active mutual learning and networking among participants by conducting follow-up sessions involving management and project discussions on company-wide challenges in virtual format.

Through this program, participants gain a deep understanding of our company's history and the background behind decision-making, while comprehensively grasping company challenges and engaging in serious discussions from a global perspective. I find it reassuring to see them working hard to tackle management challenges as global leaders who embody Daiichi Sankyo's DNA, while motivating each other to excel.

EMC members also participate as mentors, absorbing new perspectives and learnings from participants, forming a model of mutual growth. I look forward to them leading the company's growth globally as leaders who will carry Daiichi Sankyo's future.

Dean, DS Academy
Senior Executive Officer,
Head of Global Corporate
Planning & Management, CFO

Koji Ogawa

Fostering a culture in which employees can work energetically and productively

One DS Culture

Our group's unique corporate culture, One DS Culture, is the foundation of our value creation. By permeating this culture throughout the group, we believe the global organization can work more cohesively to realize our Purpose. We use engagement surveys conducted globally since FY2021 to understand the current level of adoption and challenges and leverage those learnings and insights from employees to improve over time.

*Conducted for all global employees once a year, featuring 28 survey questions

Engagement Score

76

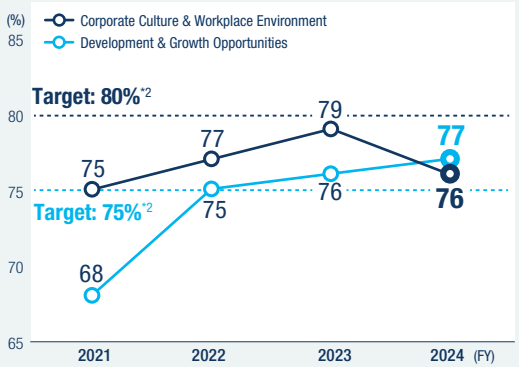
Compared to last year
-2point

Global Benchmark
+2point

Response Rate 87%

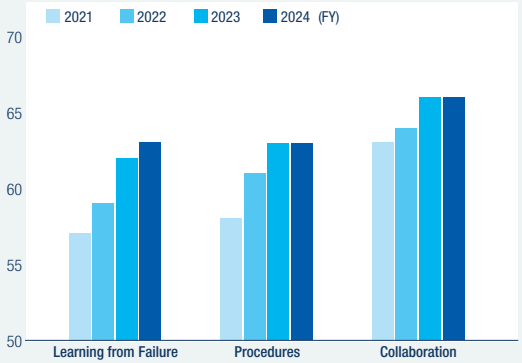
14	Number of questions that scored above global benchmark
8	Number of questions that scored below global benchmark
15	Number of questions with scores higher than last year
4	Number of questions with scores lower than last year

Positive Response Rate through Global Engagement Survey (Materiality KPI)



*2 Target set at positive response rate of 80% or higher, or 10% improvement from FY2021

Engagement survey scores in areas for improvement



Progress and Challenges of Engagement Survey

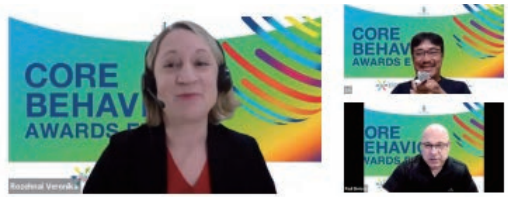
From FY2021 to FY2023, our group's engagement scores exceeded established global benchmark levels, but "Learning from Failure, Procedures and Collaboration" were areas for needed improvement. Management members discussed countermeasures for these areas and established "Learning from Experience" as a global commitment, implementing initiatives accordingly, leading to improvements in our scores in this area the following year.

In the FY2024 survey, while the "Engagement Score" and "Positive Response Rate for Corporate Culture & Workplace Environment" declined slightly from the previous year, the engagement score remained at a level above the global benchmark.

Based on the FY2024 results, we identified "Learning from Failure, Procedures, and Action Taking (post-survey response)" as areas with further room for improvement. Through discussions among management members, we have established "Foster an Environment where we Improve Procedures by Learning from Experiences" as our FY2025 global commitment and are advancing company-wide initiatives.

Specific initiative: Core Behavior Awards

Since 2022, we have hosted the 'Core Behavior Awards,' where the winners are honored during a globally streamed event. These awards recognize employees who proactively embody our Daiichi Sankyo Core Behaviors, fostering a sense of unity across our entire Group. They deepen understanding and adoption of these behaviors through the sharing of exemplary role models. In addition, in FY2024, we introduced the 'Culture Ambassador Awards' to honor the efforts of Culture Ambassadors who are driving the One DS Culture within their respective organizations. The celebration event has received highly positive feedback from participants saying it is 'a valuable opportunity to feel connected globally' and 'a great chance to learn from real-world examples.'



Scenes from the Core Behavior Awards

Developing HR infrastructure to accelerate global collaboration

Overview of New Global Common HR System

Our group is developing and implementing a global HR processes to strengthen collaboration and generate synergies across the globe. By standardizing the key components for global collaboration that transcends across countries and regions, while taking into account the laws and practices of each country and region, we will enable smoother global collaboration and improve overall group performance.

Daiichi Sankyo's Distinctive Talent Management

By introducing a global standardized system, Japan is transitioning from conventional membership-based talent management to a system that incorporates job-based talent management.

Generally, in job-based talent management, employees are evaluated based on required job content, creating an environment where all talent can thrive regardless of seniority or length of service. It also enables fair treatment based on job content and results, leading to the acquisition and development of highly specialized, excellent talent. In addition, we will leverage our strengths by integrating membership-based characteristics, including company-led job changes and transfers for the purpose of long-term talent development and organizational strengthening. This also enables the development of next-generation leaders who have company-wide and medium-to-long-term perspectives through various job experiences.

Membership-Based (Former Talent Management)		Daiichi Sankyo Talent Management
Primarily new graduate batch recruitment	Recruitment	Job category-based new graduate recruitment, strengthening career recruitment
Development of generalists who experienced various roles through rotation	Talent Development Policy	Develop highly specialized talent based on individual initiative
Primarily company-led	Job Category Change	Company-led job category changes are relatively reduced, while job category changes based on employee intentions are expanded
Determined based on job performance capability (seniority-based)	Grade & Compensation	Determined based on the magnitude of job duties and responsibilities
Influenced by years of service and age	Promotion & Advancement	Early promotion possible regardless of years of service or seniority

Daiichi Sankyo's talent management that is fundamentally job-based while also incorporating some membership elements

Evaluation System

The new evaluation system focuses primarily on "promoting growth." In goal setting, we foster awareness of contribution to the organization while encouraging the setting of challenging goals (stretch goals), leading to the enhancement of each employee's skills and abilities and the achievement of higher organizational goals.

Throughout the year, we establish regular one-on-one dialogue opportunities between managers and employees, providing timely coaching and feedback to promote continuous employee goal achievement and growth. Since managers' coaching and feedback skills are extremely important for promoting employee growth, we are continuously running learning programs globally to improve these skills.

In year-end evaluations, we eliminated overall evaluation rankings and instead adopted evaluations for each goal, enabling evaluation and feedback that focuses purely on employees' goal achievement and growth, leading to the development of individual employees.

A survey conducted in Japan to measure the effectiveness of the new evaluation system found a positive response rate of 81%, indicating that the system was well understood and appropriately implemented in its first year.

Grade System

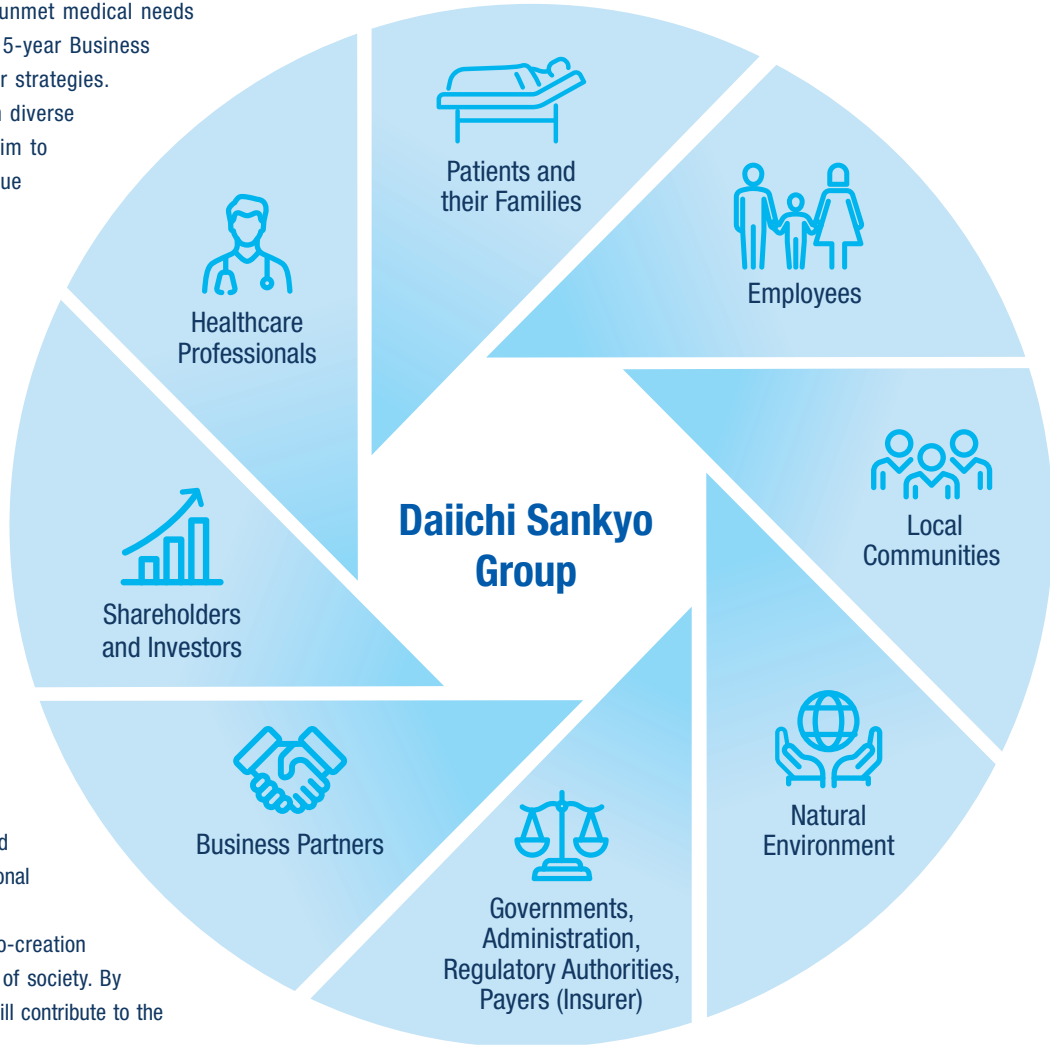
For the job grade system, we have built and introduced a global common grade structure based on job duties and responsibilities. This enables the clarification of career paths across countries and fair treatment, promoting global collaboration and career formation that transcends countries and regions.

Reward System

Our group has established a fair and competitive compensation system under a global common policy while respecting the laws and practices of each country and region. By redesigning compensation categories, we are strengthening market competitiveness and leading to further recruitment and retention of excellent talent. Starting salaries for new graduate employees are also set at appropriate levels aligned with market competitiveness.

Toward Value Co-Creation with Stakeholders

To achieve our Group's Purpose of "contributing to the health and enriched lives of people around the world," and continuously enhance corporate value, it is essential to understand and respond to various demands, including unmet medical needs from a constantly changing society, and to reflect these in our corporate activities. In our current 5-year Business Plan (FY2021-FY2025), we have positioned "creating shared value with stakeholders" as one of our strategies. We actively engage in dialogue with all stakeholders and identify expectations and needs rooted in diverse values. These are integrated into our management strategy as sustainability challenges that we aim to address. By aligning these perspectives with our business activities, we strive to create unique value that only Daiichi Sankyo can deliver.



Shared Value Creation Process with Stakeholders

Our Group believes that communication with various stakeholders is essential for sustainable growth in society and long-term enhancement of corporate value and social values. These stakeholders include patients and their families, employees, local communities, natural environment, governments, administration, regulatory authorities and payers (insurer), business partners, shareholders and investors, and healthcare professionals. We are committed to engaging in appropriate and constructive collaboration with all of these stakeholders.

Our Group actively engages in dialogue with stakeholders to better understand the social demands and expectations placed upon us. We aim to become a company that earns society's trust by responding to these expectations through our business activities, as well as by promoting initiatives that help stakeholders understand our efforts and approaches. Additionally, we strive to build and maintain relationships with stakeholders not only by complying with laws and regulations in the countries and regions where we operate, but also by respecting various international standards and diverse cultures and customs.

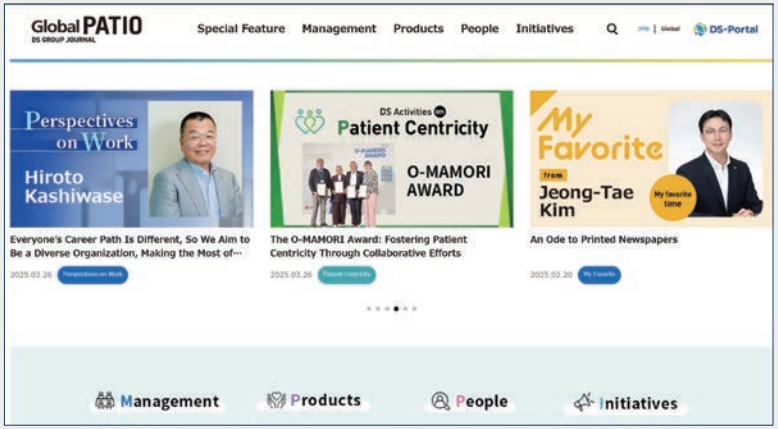
We believe that appropriately sharing the profits and outcomes generated through value co-creation via collaboration with these multiple stakeholders contributes to the sustainable development of society. By continuously advancing this value co-creation process and enhancing its quality and scale, we will contribute to the improvement of both corporate value and social values.

Case study

Case Study 1

Revitalizing Internal Communication

We are working to revitalize internal communication with the goal of “understanding and permeating management information” and “fostering a culture where the organization and employees unite globally to take on challenges.” We regularly publish the web-based internal newsletter “PATIO” for all global employees, which features management messages utilizing video and images, company-wide award recipients, and messages from new employees on our internal portal site. On our internal bulletin board “Management’s Daily Room,” management shares casual updates, insights and behind visions and strategies, and day-to-day thoughts, while employee can engage with these posts by likes and comments, promoting open and visible interaction. Another section of the bulletin board “Hot Topics,” highlights notable achievements from each department and unique internal activities. We also conduct two-way communication between management and employees through management caravans that visit various Group locations and global town halls open to all employees, while actively implementing internal communication to monitor progress and help achieve the goals of our current 5-year Business Plan.



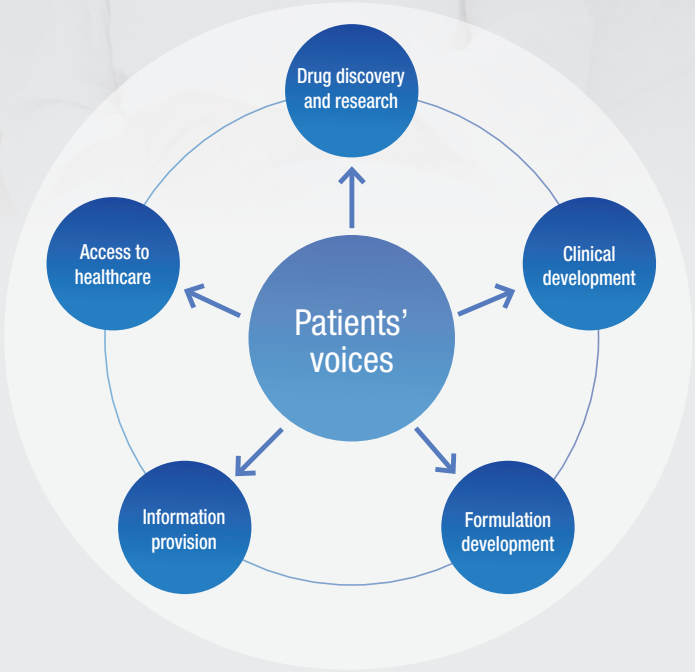
Case Study 2

Sustainability Dialogue with Investors

In addition to traditional communication centered on financial information, we are increasingly engaging in dialogue on sustainability-related themes such as governance, access to healthcare, and environmental initiatives during meetings with institutional investors. To facilitate more constructive dialogue, we are working to enhance the quality and scope of our pre-financial information disclosure. In December 2024, we held our fourth “Sustainability Dialogue Session” (formerly ESG briefing) for institutional investors, securities analysts, and media representatives. This dialogue session utilizes our “Value Report 2024” published in September 2024, with the aim of deepening understanding of our management while incorporating feedback from investors and others into our future management practices to connect to sustainable value creation. This session was held in a hybrid format combining in-person and online participation, allowing for active dialogue with many participants. Both Inside and Outside Directors took the stage to explain our approaches to sustainability management and human capital, as well as our specific initiatives focusing on our greatest strengths of “Science & Technology” and “Governance,” while receiving valuable feedback from investors.

Patient Centricity

Our desire to help patients find hope in their treatment journey is the driving force behind all of our corporate activities. We are committed to actively engaging with patients, starting from their voices, and promoting value co-creation across the entire value chain—from drug discovery and development to manufacturing and information provision. To realize true patient centricity, we are strengthening our initiatives globally and across functions.



Message from the Special Assignment on Patient Centricity

Director,Executive Officer,
Head of Japan Business Unit
and Head of Medical Affairs Division, Japan Business Unit

Shizuko Ueno

It has been a year and a half since I was appointed to the Special Assignment on Patient Centricity. During this time, I have participated in various activities and initiatives both within and outside Daiichi Sankyo. Many talented people with a strong patient centric mindset —the desire to contribute to patients through pharmaceuticals—have joined Daiichi Sankyo, and this commitment has been deeply embedded in our corporate culture since the company's founding.

Many employees come together to discuss patient centricity in their own words, exchange views and strive to contribute to patients through their daily work. Through such efforts, patient centricity has been further promoted and internalized within our organization, and over the past year and a half, we have seen increased collaboration across units and functions throughout the company.

Patient Centricity, the source of our innovation, is spreading both vertically and horizontally throughout the entire organization in alignment with One DS Culture. I am confident that actively engaging with patients, listening to their voices, and continuing our relentless pursuit to overcome challenges will lead us to realize our Purpose.

Integration of Patient Centricity into One DS Culture

Approximately 150 leaders from Daiichi Sankyo's global organization participated in the Global Culture Initiative Leadership Forum hosted by Global HR. At the forum, leaders from each organization engaged in discussions on our Core Values, Core Behaviors, and patient centricity across regions, units, and functions,while also addressing business challenges faced by both Daiichi Sankyo and their respective units. In particular, there were active discussions around how patient centricity can be woven throughout the fabric of each organization and translated into tangible outcomes. This forum served as a valuable opportunity to reaffirm the organization's future direction and important values. patient centricity, a key component of the One DS Culture, was positioned as a critical initiative in realizing our Purpose.

Vertical Integration Within the Organization

Initiatives for Next-Generation Leaders and New Employees

We are promoting the vertical integration of patient centricity across the organization by encouraging new employees and next-generation leaders -who will lead our global organizations- to think about and discuss keeping patients at the center of our decision making regardless of their career stages and positions.

Example from Leadership Level

During the “DS Academy” program, which is designed to foster next-generation global leaders, future leaders from diverse global departments gather to revisit key questions such as “What is patient centricity?” and “Why is it important?” The program served as a platform for participants to explore how these principles can be embedded into the work of their respective departments.

For more information on DS Academy, please see P34

Example from Junior Level

Both the Research & Development Division and the Technology Division have incorporated patient centricity-themed sessions into their respective orientation programs for newly employed graduates. As individuals begin their careers at Daiichi Sankyo, these sessions provide an opportunity for them to reflect together with their peers on what they should value as members of a pharmaceutical company and as Daiichi Sankyo employees.

Horizontal Integration Within the Organization

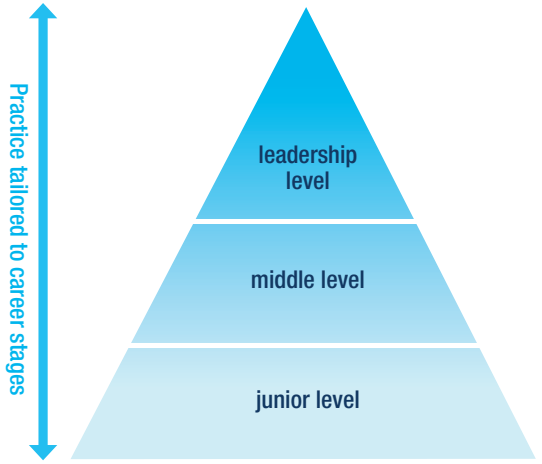
Value Chain Collaboration Framework in Japan

To organically connect patient centricity activities that had previously been carried out independently across various organizations and value chains in Japan, we established a new cross-functional working group to facilitate collaboration among responsible personnel. This working group aims to strengthen Daiichi Sankyo's collaboration with patients by mutually sharing patient centricity initiative plans, achievements, and best practices. Additionally, the group seeks to create company-wide value by incorporating patient voices horizontally across all value chains.

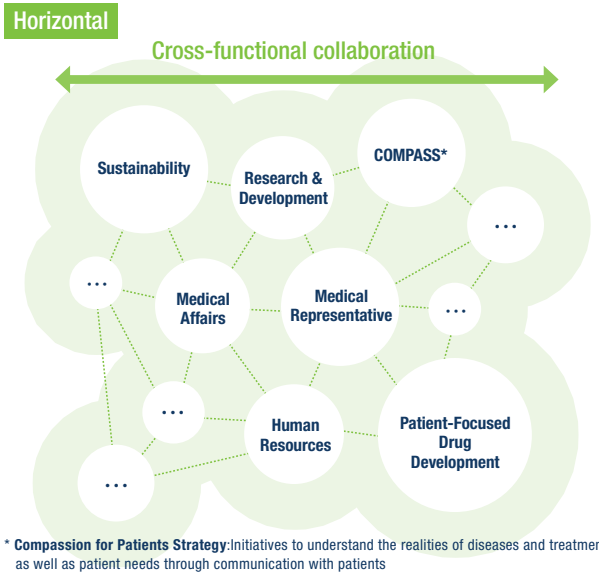
In this way, personnel from functions involved in research, development, manufacturing, and product information provision collaborate to better understand the challenges patients face and work toward solving them. Through this cross-functional effort, we are promoting the horizontal integration of patient centricity across the organization.

Patient Centricity Spreading Vertically and Horizontally Across the Daiichi Sankyo Group

Vertical



Horizontal



* **Compassion for Patients Strategy**:Initiatives to understand the realities of diseases and treatments, as well as patient needs through communication with patients

Putting Patient Voices into Action

Case Study 1

Value Co-creation Starting from Voices of Japanese Healthcare Professionals

At Daiichi Sankyo, we are advancing initiatives to accurately understand the challenges and needs faced by patients and healthcare professionals who work most closely with them through dialogue with frontline healthcare settings, and to reflect these insights in our products and services. By visiting medical institutions to tour facilities and exchanging opinions with healthcare professionals, our employees deepen their understanding of real-world conditions, challenges, and needs.

Dialogue sessions with healthcare professionals serve as valuable opportunities to explore specific initiatives. For example, in the case of injectable drugs, we ask healthcare professionals to demonstrate reconstitution procedures for lyophilized formulations based on actual preparation techniques used in clinical settings. These demonstrations help deepen our understanding of real-world usage conditions. In addition, we hold two-way discussions in which drug product designers ask healthcare professionals questions related to product design and gather feedback from the field, including specific challenges and burdens faced during use.

The insights gained are incorporated into formulation design and device specifications that better reflect frontline needs, with the goal of contributing to patient safety and improving the working environment in healthcare settings.

These initiatives extend beyond new products under development to the continuous improvement of products already on the market.

Case Study 2

Patient Centricity at Onahama Plant

-Fostering Shared Awareness Through Dialogue with Global Leaders-

Leaders from our US and European Oncology Business Units (OBU) visited the Onahama Plant, one of our key ADC manufacturing sites.

Onahama Plant has been responsible for active pharmaceutical ingredient (API) manufacturing of our core products for over 30 years. Currently, the facility is accelerating its transformation to a biopharmaceutical manufacturing system, evolving its role as a critical production site for delivering more effective products that meet patient needs.

During this visit, the leaders shared comments and expressions of gratitude from cancer patients with plant employees. Since manufacturing sites have limited opportunities for direct patient interaction in daily operations, sharing these perspectives served as a powerful reminder for heightening each employee's awareness that they are deeply connected to the frontlines of healthcare. The experience enabled staff to reaffirm the significance of their work, while also elevating plant-wide consciousness toward production activities that consider the patient perspective.

Case Study 3

The Spread of Patient Advocacy Driven from Germany

-Establishment of the O-MAMORI Award-

The O-MAMORI Award is an inspiring initiative primarily orchestrated by the Cardiovascular and Oncology departments of Daiichi Sankyo Deutschland GmbH. It was conceived by dedicated employees who envisioned a way to extend support to individuals and small local organizations dedicated to aiding patients battling cardiovascular disease and cancer, while also strengthening cross-divisional collaboration in line with our Purpose.

This initiative was driven by the strong passion of employees engaged in the cardiovascular or oncology fields. It was launched based on a shared commitment to Patient Centricity transcending departmental boundaries and fostering collaboration among diverse teams. Fueled by this collective mindset, the initiative has promoted cross-functional collaboration and teamwork across departments, while also serving as a catalyst for generating new perspectives and solutions in patient care. In fact, communities that received support through the award have seen numerous outcomes that have meaningfully contributed to improving the quality of life of patients.

The O-MAMORI Award functions not merely as an internal company activity, but also as a platform to foster dialogue about Patient Centricity within the healthcare industry.

The Photo below: Publication permission granted *Christoph Jackschies

Case Study 4

Self-Care Initiatives Supporting Cancer Patients as “Whole Person”

-Efforts to Improve Quality of Life-

Daiichi Sankyo Healthcare operates the skin care information website “Hada (Skin) College” to support patients who struggle with skin problems during and after cancer treatment. This website provides information on proper understanding and management of skin changes or other issues associated with cancer treatment, aiming to empower them to face daily life during and after treatment with greater confidence and peace of mind. Additionally, we regularly hold “Skin Care Seminars” that focus on post-treatment skincare and mental health. By providing information on appearance care and psychological self-management—areas that trouble many people during treatment—we aim to foster the ability to view life during and after treatment more positively.

We also organize roundtable discussions with cancer patients and conduct interviews with healthcare professionals such as nurses, creating opportunities to incorporate the voices of those directly affected into our activities. This enables us to gain deeper understanding of the challenges and needs patients face, generating a positive cycle that leads to improvements in our products and services. These initiatives contribute not only to supporting patients themselves, but also to forming patient-centered support networks that include the people around them and healthcare settings.

CFO Message

As a Fiscal Year of Stepping Up toward the Next 5-year Business Plan, We are Committed to Pursuing Sustainable Growth by Balancing Investments for Future Growth with Shareholder Returns.

Senior Executive Officer
Head of Global Corporate Planning and Management, CFO

A Look Back over FY2024

Looking back on fiscal year 2024, there are three things that I feel are particularly important as CFO : first, we were able to achieve a good balance between "growth investments" such as R&D investments and capital expenditures for the future, and "shareholder returns." In determining this balance, we referred to the opinions and feedback we have received from many shareholders and investors over the years.

Next, we implemented agile acquisition of own shares taking stock price levels into consideration. In order to respond nimbly to situation where we believed our company's future profitability was not sufficiently reflected in the stock price, we acquired own shares from March to April 2025.

Finally, we made progress on Project 4D (Daiichi Sankyo Data-Driven Decision Making), which aims to unify information infrastructure and business processes on a global scale. The objective is to build a robust and solid business operations foundation through data-driven management that enables rapid decision-making and highly productive business operations, in preparation for the next 5-year Business Plan. We are currently accelerating the development of our business operations framework toward the full-scale launch of Project 4D.

Moving forward, I am committed to continuing to provide leadership toward realizing our 2030 Vision of achieving an “Innovative Global Healthcare Company Contributing to the Sustainable Development of Society.”

Progress and Update on the Current 5-year Business Plan (FY2021-FY2025)

The Daiichi Sankyo Group is working on its current 5-year Business Plan (FY2021-FY2025) aimed to realize our 2025 Vision "Global Pharma Innovator with Competitive Advantage in Oncology" and shift to further growth toward our 2030 Vision. Specifically, by implementing the four strategic pillars, “Maximize 3ADCs,” “Profit growth for current business and products,” “Identify and build pillars for further growth, “ and “Create shared value with stakeholders,” and strengthening the foundation that supports these strategies, we aim to achieve our KPI targets of 1.6 trillion yen in revenue (600 billion yen or more from the oncology business), a core operating profit ratio before R&D expenses*1 of 40%, Return on Equity (ROE) of 16% or more, and DOE (dividend on equity ratio)*2 of 8% or more in FY2025, which is the final fiscal year of the plan.

Four years have passed since the launch of the current 5-year Business Plan, and the four strategic pillars are progressing smoothly, increasing our confidence in achieving the FY2025 goals. In the following, I will provide an update on the progress of “Maximize 3ADCs” and “Profit growth for current business and products.”

Regarding the most important of the four strategic pillars, “Maximize 3ADCs,” our global product, the anti-cancer agent Enhertu®, has been growing steadily across countries and regions, exceeding our initial expectations. Global product sales for FY2024 (excluding upfront payments and milestone income) grew to 552.8 billion yen. We will continue to pursue further market penetration in existing sales regions and expand into new countries and territories, while advancing the launch of new indications to further enhance the product value of Enhertu

Additionally, Datroway®, our second DXd ADC product following Enhertu received approval in Japan, the United States, and Europe from December 2024 onwards for breast cancer indications where Enhertu has not been approved, and we began providing patients with new treatment options. In the development of Datroway for lung cancer, we did not achieve the expected results in the initial trial to apply for regulatory approval. However, by combining data from other Datroway studies we submitted regulatory application to the FDA in November 2024 and obtained approval in June 2025. By narrowing the indication, we aimed to obtain approval for a more limited lung cancer target patient population. By applying cutting-edge AI-powered imaging diagnostics to the data from the initial trial, the likelihood to identify the types of lung cancer where Datroway treatment effects could be expected has increased and we have gained significant insights. The identification of this new imaging diagnostic technology led to optimization of development plans for lung cancer types with larger target patient populations, representing a significant achievement toward maximizing the product value of Datroway We are currently conducting clinical trials to add multiple indications, aiming to provide treatment options to a greater number of patients.

Regarding “Profit growth for current business and products,” the sales of our global product, the anticoagulant Lixiana® are progressing smoothly in Japan, Europe, and the ASCA regions, with global product sales expanding to 344.0 billion yen in FY2024. Additionally, sales of the pain treatment

Expectation on achieving FY2025 KPIs
(As of Apr. 2025)

	At the time of planning 5YBP	As of Apr. 2025
Revenue	1.6 Tr JPY	2 Tr JPY
Revenue in Oncology	600 Bn JPY	900 Bn JPY
Core Operating Profit*1 ratio before R&D expenses	40%	40%
ROE	16%	16%
DOE*2	8%	8.5%
Currency rate assumptions	1 USD=105 JPY 1 EUR=120 JPY	1 USD=145 JPY 1 EUR=155 JPY

*1 Core Operating Profit: Operating income less temporary income and expenses (gains/losses related to sales of fixed assets etc.)
*2 DOE: Dividend on Equity = Total dividend amount / Equity attributable to owners of the company

Tarlige® in Japan, the iron deficiency anemia treatment Venofer® in the U.S., and the hypercholesterolemia treatments Nilemdo®/Nustendi® in Europe have shown steady growth, significantly contributing to the creation of resources that are necessary to invest in the company's sustainable growth and shareholder return. Furthermore, the profits from American Regent, which sells iron deficiency anemia treatment drugs and generic injectables in the United States, and Daiichi Sankyo Healthcare, which sells OTC pharmaceutical products in Japan, are steadily growing. In addition, the transformation toward a business structure centered on innovative drugs is progressing smoothly through the transfer of products following the expiration of exclusive marketing periods in various countries and regions, as well as the execution of the transfer of Daiichi Sankyo Espha shares. This has steadily strengthened the profitability of the group as a whole.

Expectation on FY2025 KPI Achievement (as of April 2025)

Based on the steady progress over the four years since the start of the current 5-year Business Plan, we anticipate that FY2025 consolidated revenue will reach 2 trillion yen, exceeding our target of 1.6 trillion yen by 400 billion yen, driven by increased revenue projections in the oncology field.

In FY2025, we anticipate that revenue from the oncology field will exceed 900 billion yen, within the consolidated revenue. Compared to the projections announced in April 2024, although a decrease in sales revenue is expected due to changes in Datroways development strategy in the lung cancer area and the voluntary withdrawal of the regulatory application for HER3-DXd in the United States, oncology area sales revenue is projected to reach 900 billion yen, exceeding the target by 300 billion yen, as Enhertu sales continue to grow steadily.

With the increase in revenue, we expect higher costs of sales and selling, general, and administrative expenses. However, improvements in cost ratios due to changes in product mix and efficient, effective expense management will enable us to continue aiming for a core operating profit margin before R&D expense of 40%. Furthermore, by achieving a balanced cash allocation between R&D investments for sustainable growth and shareholder returns, we aim to maintain a ROE of 16% or more. Additionally, we anticipate that our DOE will exceed our target of 8% or more and reach 8.5% or more, due to improved capital efficiency and enhanced shareholder returns.

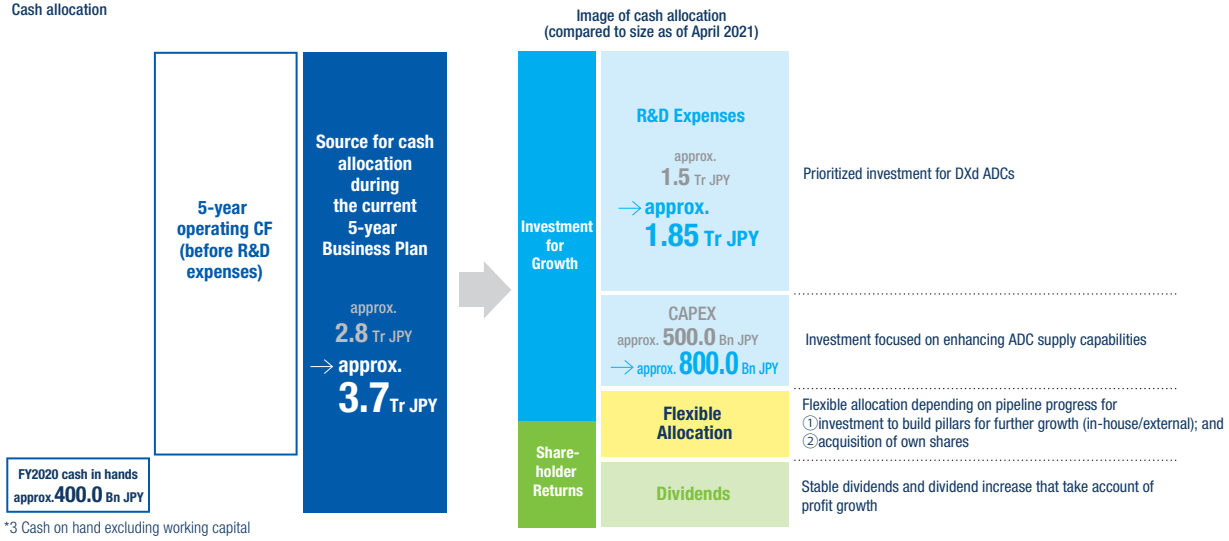
Four years have passed since the start of the current 5-year Business Plan, and we have deepened our confidence in achieving levels that exceed the targets set when the plan was formulated, giving us strong conviction as we move toward our next current 5-year Business Plan.

Well-Balanced Investment for Growth and Shareholder Returns (Cash Allocation)

During the current 5-year Business Plan period, we will follow a policy of well-balanced cash allocation between investment for growth and shareholder returns. Specifically, a portion of the cash allocation will be dedicated to investment for growth (such as R&D investments and capital expenditures) and shareholder returns. The remaining portion will be flexibly allocated based on the progress of the R&D pipeline, considering a balance between further growth-oriented R&D investments and shareholder returns.

The cash allocation for the current 5-year Business Plan period, comprising the initial cash on hand at the start of the current 5-year Business Plan and the operating cash flow before R&D expenses over the five years, is expected to increase by approximately 900 billion yen to around 3.7 trillion yen compared to the initial forecast, due to the receipt of upfront payments from the strategic alliance with Merck & Co., Inc., Rahway, NJ, USA (Merck in the U.S.) The increased cash allocation will primarily be used for enhancing R&D investments, capital expenditures for future growth, and further strengthening shareholder returns.

Well-balanced investment for growth and shareholder returns



For R&D expenses prioritized for the development of DXd ADCs, we plan to increase the allocation by 350 billion yen compared to the initial forecast of the current 5-year Business Plan, totaling approximately 1.85 trillion yen over the five years. For HER3-DXd, I-DXd, and R-DXd, development to maximize product value is progressing through our strategic partnership with Merck in the U.S., including acceleration of indication expansion trials and initiation of new studies, we continue to make aggressive investments in research and development. On the other hand, as a result of refining our development plans following progress in our strategic partnership with Merck in the U.S., the projected research and development expenses for FY2025 have decreased compared to the April 2024 estimates. Additionally, medical affairs-related expenses, which involve efforts to improve treatment quality through the creation of new evidence and information dissemination, have also decreased compared to the projected amount from one year ago due to changes in Datroways development strategy in the lung cancer area and the voluntary withdrawal of the regulatory application for HER3-DXd.

Regarding capital expenditures, we plan to increase the allocation by 300 billion yen compared to the initial forecast of the current 5-year Business Plan, totaling approximately 800 billion yen over five years. The primary purpose of this increase is to strengthen our production infrastructure, with a significant portion allocated to enhancing the production infrastructure for DXd ADCs. By executing balanced investments in our production facilities in multiple countries and regions including Japan, the United States, and Europe, as well as external contract development and manufacturing organizations (CDMOs), we will continue to meet the anticipated growing demand for DXd ADCs.

We will further strengthen shareholder returns through increased dividends in line with profit growth and flexible acquisition of our own shares. These aspects will be explained in detail in the following section.

Shareholder Return Policy

In the current 5-year Business Plan, we have adopted DOE as a KPI for shareholder returns, aiming to achieve a rate of 8% or more, which exceeds the cost of equity capital, in FY2025.

DOE is an indicator that combines ROE and the dividend payout ratio, encompassing both capital efficiency and shareholder returns, which are crucial for enhancing corporate value. As the company transitions to a profit growth phase under the current 5-year Business Plan, it is essential to consider dividends in conjunction with capital costs and capital efficiency. Therefore, we have adopted DOE as one of our key indicators.

DOE (Dividend on Equity) = Total Dividends ÷ Shareholders' Equity
= ROE (Net Income ÷ Shareholders' Equity) ×
Payout Ratio (Total Dividends ÷ Net Income)

Regarding ROE, we aim to achieve a rate of 16% or more for FY2025 by expanding capital efficiency through revenue growth driven by Enhertu® and flexible acquisition of our own shares.

Regarding the equity ratio, we consider approximately 60% to be an appropriate level from both financial security and capital efficiency perspectives. Although the equity ratio has temporarily decreased due to the strategic alliance with Merck in the U.S., where a portion of the upfront payment received is recorded as deferred revenue (liability) for future sales revenue, we expect to gradually bring the equity ratio back to around 60% over the coming years as we recognize deferred revenue as sales revenue.

Regarding cross-shareholdings, we generally do not hold listed shares, except when it is deemed to contribute to maintaining or strengthening long-term business relationships and enhancing our corporate value. We are progressively selling these shares, taking into account their impact on the market and other factors.

We aim to further enhance shareholder returns through increased dividends in line with profit growth and flexible acquisition of our own shares. In line with the steady progress of our performance centered on Enhertu we have implemented dividend increases for three consecutive years since FY2022. For FY2025, given the continued profit growth expected from further sales expansion of Enhertu®, we plan to increase the dividend by 18 yen per share to 78 yen.

Additionally, to further enhance shareholder returns and improve capital efficiency, we executed 200 billion yen of own shares acquisition between April 2024 and January 2025. Furthermore, from March to April 2025, we implemented 50 billion yen of own shares acquisition as a flexible response to the situation where we believed our company's future profitability was not sufficiently reflected in the stock price. Moreover, in April 2025, we established upper limits for acquisition of own shares for the period from May 2025 to March 2026, with an upper limit of 200 billion yen in total acquisition amount and 80 million shares, as a flexible response taking into comprehensive consideration the stock price level and other factors.

As a result of these initiatives, we expect FY2025 DOE to exceed the target of 8% or more by 0.5%, reaching 8.5% or more.

Next 5-year Business Plan: CFO Commitment toward Maximizing Corporate Value

Our current 5-year Business Plan is progressing smoothly, and we believe we have achieved balanced growth investments and shareholder returns. For our next 5-year Business Plan starting next fiscal year, we are confident that we can create an even more robust growth story through swift decision-making enabled by data-driven management and the realization of highly productive business operations. We will continue to work toward maximizing corporate value through active dialogue with shareholders, investors, and all our stakeholders.

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.

For details on our risk management system, crisis management, and BCP (Business Continuity Plan), please click here

Risk Management Promotion System

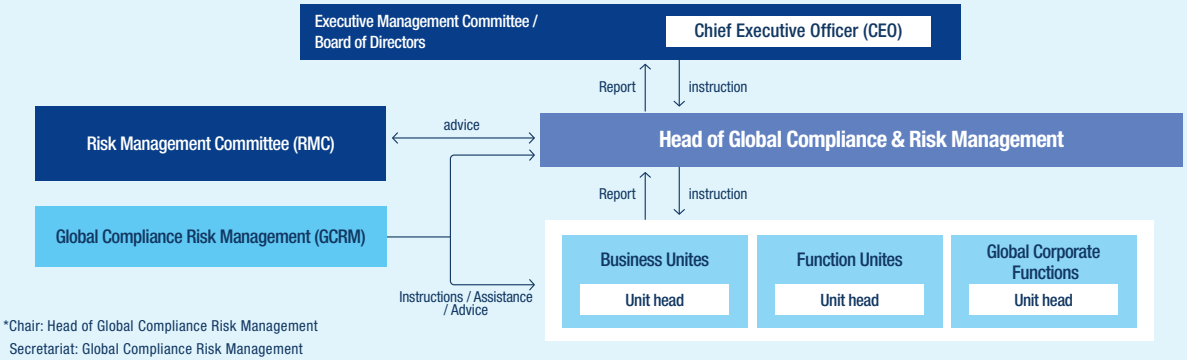
Our Group is overseen by the Head of Global Compliance and Risk Management (GCRM), who oversees the Group’s risk management activities. Within this structure, the Heads of each Unit and Function conduct risk identification, risk assessment, and countermeasure implementation, promoting autonomous risk management. GCRM handles operational affairs for the entire Group while providing necessary instructions, support, and advice to each Unit and Function.

The significant risks of our Group are determined by the Executive Management Committee (EMC) and the Board of Directors. For each significant risk, each designated Head of Unit or Function (risk owners) is responsible for implementing countermeasures and monitoring them periodically. When signs of potential material risks are detected within a Unit or Function, the respective Head promptly reports them to the CEO and the Head of GCRM.

In FY2024, we enhanced the Daiichi Sankyo Group’s Risk Management by implementing improvements based on interviews with senior management and industry practice reviews. As part of this initiative, we established the Risk Management Committee (RMC) to facilitate discussions on risks at the EMC level. The RMC consists of core members and additional flex members invited based on the agenda, and it engages in in-depth discussions on various risks. The Risk Management team invites external specialists as necessary to ensure that discussions benefit from up-to-date expertise on relevant topics.

Additionally, the Risk Management team has established a process through which Risk Coordinators, designated by each Unit or Function, support the Head of Unit or Function and promote the risk management processes. Furthermore, we have introduced a recurring PESTLE analysis to monitor external factors and changes, establishing a systematic approach that enables us to respond promptly to emerging risks.

Risk Management System Chart



Response to Emerging Risks

We also monitor emerging risks (new risks that may affect the company over the next few years and are still under evaluation due to their high uncertainty and dynamic nature). Depending on discussions at the RMC and EMC, the assessment of an individual emerging risk may be changed to a material risk or a unit-level risk. We monitor the following risk as the emerging risk.

Areas	Risk Summary	Status of Risk Management
Risks Related to the Utilization of AI	**1.Decline in competitiveness due to delays in applying AI and digital transformation** Amid rapid advances in AI technology research and development and digital transformation (hereinafter “DX”) worldwide, the utilization of AI, particularly generative AI, is becoming indispensable, especially in drug discovery research and development processes. If we fail to respond to these technological innovations in AI, we may lose our competitive advantage in research and development, which could adversely affect the performance of our Group. **2. Response to AI-related regulations** Regulations governing the use of AI technology are becoming increasingly stringent worldwide. In particular, inadequate response to new regulations such as the EU AI Act in the EU could result in fines or restrictions on business activities. Additionally, inadequate AI governance frameworks could lead to incidents that adversely affect patient health or safety. Furthermore, this could result in a decline in the Group's social credibility or claims for compensation, which could negatively impact business performance.	In response to these various risk scenarios, the Group is continuing to build a framework aimed at accelerating research and development through technological innovation using AI and promoting DX based on the utilization of AI throughout the company. In addition to complying with AI-related regulations, we are also working to establish an AI governance system (formulating a global AI governance policy, establishing global guidelines for AI development and operation according to risk classification, etc.).

Major Risks and Corresponding Responses

Areas	Risk Summary	Response (Including Countermeasures and Mitigation Action)
Research and Development & Alliances with Partner Companies	The potential of discontinuation of research and development, failure to obtain approval due to changes in approval review criteria, or changes or termination of contract terms related to collaborations in the development of new drug candidates. Investment may not be recovered due to changes in development plans and excess inventory may result in disposal costs. This includes Trastuzumab Deruxtecan (T-DXd/DS-8201: Anti-HER2 ADC, product name: ENHERTU®) and Datopotamab Deruxtecan (Dato-DXd/DS- 1062: Anti-TROP-2 ADC, product name: DATROWAY®) in partnership with AstraZeneca, as well as Patritumab Deruxtecan (HER3-DXd/U3-1402), Ivnatamab Deruxtecan (I-DXd/DS-7300), DS-6000 (R-DXd), and MK-6070 (DS3280) in partnership with Merck.	Continue a Joint Committee with each AstraZeneca and Merck, 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.	Consistent quality assurance through the enhancement of management systems compliant with GMP and GDP standards; Regular audits of group company facilities and business partners are conducted; Perform objective assessments, reviews, and analysis of safety management information (e.g., information on side effects) is globally collected; 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, changes in tariffs, sudden policy changes, deterioration of economic circumstances, contraventions of local laws and regulations, and worsening labor management relations.	Appoint risk coordinators in each unit, and collect and share information on a regular basis; When a problem occurs, follow the crisis initial response procedure, aiding prompt problem resolution. Collect timely information to understand the potential impact on the business, work out different scenarios, consider requests to the government through industry organizations in Japan, the U.S., and Europe, and examining the possibility of strengthening local production in the US.
Manufacturing and Procurement	Risks affecting manufacturing, procurement activities, and investigational products, including quality risks in contract manufacturing, may include damage to Group-owned facilities, impairment of public infrastructure, and technical issues.	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 (e.g. infrastructure), such as by ensuring redundancy in core systems. Enhance the oversight of contracted manufacturing sites through risk management and promote the implementation of risk mitigation measures.
Environment & Safety	Some chemical substances used in the research and manufacturing of pharmaceuticals may potentially have adverse effects on human health and ecosystems. Climate change-induced weather disasters, global warming, and loss of biodiversity pose potential risks to the pharmaceutical supply chain, such as disruption, increased manufacturing costs, and restrictions on the use of natural resources.	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 TCFD (Task Force on Climate-related Financial Disclosures), Risk assessment and disclosure in accordance with the TNFD (Taskforce on Nature-related Financial Disclosures).
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.	Maximize value and minimize risks for the creation and protection of intellectual property; Establish systems to identify, monitor and minimize the impact of intellectual property challenges 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.	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 .	Monitor drug price policies in each country, collect timely information to understand the potential impact on the business, consider requests to the government through industry organizations in Japan, the U.S., and Europe and work out different scenarios.
Compliance Risk	Material violations of laws and regulations, including personal misconduct by directors and employees, have a significant adverse impact on our business performance, financial and reputational condition.	Ensure compliance with laws and regulations through education and awereness-raising activities. CEO's compliance message (twice a year), monitoring of business operations to detect any inappropriate activities as early as possible. Prevent and ensure early detection of compliance violations through the whistleblowing system (Global Hotline) available not only to executives and employees but also to business partners, and take strict action when they occur. Established Global Ethics & Compliance Committee.
Financial Market and Exchange Rate Fluctuations	Negative effects may result from stock market behavior, interest rate trends, or exchange rate fluctuations.	Reduce cross holdings; Implement mid-term reviews of pension fund asset allocations; Execute currency hedging transactions.
Information Security	Network infection, cyber-attacks, and other similar events may result in a system shutdown or leakage of confidential information.	Under the leadership of the CDXO*,promoting measures related to information security and cybersecurity, establishing policies and rules; Provide employees with continuous information security training; Establish security systems with defense functions, infringement detection, and countermeasure function; Strengthen information security and cybersecurity infrastructure and to improve operations; Implement security measures and management system designs for factories, manufacturing facilities, and systems (OT systems); Regular monitoring of personal information management practices.
Securing Talent	Increasingly competitive job markets may result in an inability to secure sufficient talent with the high levels of expertise required for various roles.	Strengthen planned recruitment activities and foster and secure talents through diverse approaches; Establishment and implementation of a globally unified HR system and human resource information system; Promote both One DS Culture and Inclusion & Diversity (I&D), and analyze and improve employee engagement through global engagement surveys, Maximize utilization of human resources globally.

*Chief Digital Transformation Officer