COO Message

Aim to Become a Strong Organization Capable of Sustained Global Growth by Leveraging the Strengths of Science & Technology and Maximizing the Power of our Human Resources

Representative Director, President & COO

Reflecting on the First Year as President and COO

Last year, my first as President and COO, was a very fulfilling time for me as the company made significant progress towards the achievement of our 2025 Goals, “Global Pharma Innovator with Competitive Advantage in Oncology,” with the decision to form a strategic alliance with Merck & Co., Inc., Rahway, NJ, USA. I am also very pleased that we were able to contribute significantly to the public health and the security in Japan by supplying DAICHIRONA®, the first mRNA vaccine for COVID-19 made in Japan. This achievement is a testament to the strengths of the Science & Technology generated by our people.

Once again, I am reminded that the source of our global growth lies in our people. We are building a solid foundation to bring together highly specialized talent globally, leveraging our strengths in Science & Technology to create innovation, and to deliver these innovations to patients around the world.

One of the areas I have focused on is engaging in dialogue with our employees. During the “President’s Caravan” conducted in FY2023, I visited all our business locations in Japan, conveyed the company’s management policies and my thoughts, and engaged in two-way communication with approximately 9,000 employees. Through the caravan, I felt that employees began to perceive the company’s challenges and goals as their own. This experience also significantly heightened my expectations and confidence in the mutual sustainable growth of employees and the company. In the rapidly growing Daiichi Sankyo, I have the impression that many employees see opportunities to create their own careers through proactive career development. One thing I often convey to employees is the concept of an “Accountable Mindset,” which is the awareness to proactively take action, considering oneself part of the problem until the desired outcome is achieved, to break through the status quo. I believe that when diverse talents from around the world embrace this mindset and find alignment between the company’s Purpose and their own, we can create strong engagement, fostering strong organizations capable of continuous growth.

5-year Business Plan to achieve the 2025 Goals of becoming a “Global Pharma Innovator with Competitive Advantage in Oncology”

Three years have passed since we announced our 5-year business plan (FY2021-FY2025) aimed at achieving the 2025 Goals of becoming a “Global Pharma Innovator with Competitive Advantage in Oncology”. The four strategic pillars towards realizing our 2030 Vision of being an “Innovative Global Healthcare Company Contributing to the Sustainable Development of Society” are all progressing smoothly.

Realization of Maximizing 3ADCs

Maximizing the product value of the three DXd ADCs (Enhertu®, Dato-DXd, HER3-DXd, hereafter referred to as 3ADCs), which are ahead of the curve in commercialization and development, is the most important issue of the current 5-year business plan. Enhertu, launched in 2020, is contributing to patient treatment at a pace exceeding initial plans through steady market penetration, expansion of launch countries and regions, and acquisition of additional indications, meeting the expectations of the medical field. Following Enhertu, Dato-DXd and HER3-DXd are also progressing smoothly in their development, with preparations accelerating for their launch in FY2024. For HER3-DXd, along with I-DXd and DS-6000, we have entered into a strategic partnership with Merck & Co., Inc., Rahway, NJ, USA to deliver these treatments to more patients faster. We are working towards maximizing their value through joint development and promotion. In anticipation of increased demand for DXd ADC products with the acceleration of

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commercialization and development, we are also focusing on strengthening our production capacity.

Profit Growth of Existing Businesses and Products

Lixiana®, a product that generates stable profits, is steadily increasing its sales in Japan, Europe, and the Asia-Pacific and Latin American regions. Furthermore, the sales of products such as Tarlige®, Venofer®, and Nilemdo®/Nustendi® are also steadily increasing. The profits generated from these medicines serve as a source of investment for the sustainable growth of DXd ADC products and other initiatives. In addition, the transformation towards a revenue structure centered on new drugs is progressing smoothly in each country and region, accelerating the shift towards a business structure that supports sustainable profit growth.

Identification and Establishment of Further Growth Pillars

For I-DXd and DS-6000, accumulating favorable clinical data has further enhanced their product potential. As a result, we have positioned them as growth drivers following the 3ADCs. We are accelerating R&D activities by evolving our previous R&D strategy “3ADCs and Alpha” to “5DXd ADCs and Next Wave.” Additionally, we are advancing research and development towards selecting post-DXd ADC modalities, such as initiating clinical trials for the second-generation ADC DS-9606.

Create Shared Value with Stakeholders.

We have made progress in addressing pandemic risks, including the supply of DAICHIRONA, the first mRNA vaccine for COVID-19 made in Japan. Additionally, we have made progress in addressing environmental issues by joining “RE100,” an international initiative aiming to use 100% renewable energy for business operations. We are transitioning to renewable energy at our own sites and have begun engaging with business partners to reduce the environmental impact across the entire value chain. Additionally, we are fostering the One DS Culture across the entire Group, and creating an environment where the organization can move more cohesively towards its goals by promoting the mutual sustainable growth of employees and the company through the practice of Core Behaviors.

Over the past three years, the growth of Enhertu has significantly exceeded initial plans, achieving substantial sales and profit growth. As details will be provided in the message from CFO Ogawa, the revenue for FY2025 is projected to reach 2.1 trillion yen, exceeding the target by 500 billion yen due to increased revenue in the oncology business. The core operating profit margin before R&D expenses is aimed to achieve the initial plan of 40%. Additionally, by improving capital efficiency, we aim to achieve our target of an ROE of 16% or higher. We also aim to enhance shareholder returns further, targeting a DOE of 8.5% or higher, exceeding our initial goal of 8%.

For the CFO message, click P39

Towards Sustainable Growth Beyond FY2025

We are working to expand our pipeline to realize our 2030 Vision of becoming an innovative global healthcare company contributing to the sustainable development of society, and to drive sustainable growth beyond that. Needless to say what truly supports this growth is our people. It is our people who generate the strengths in Science & Technology, and it is also our people who strengthen the entire value chain to develop innovations and deliver them as products to patients. Going forward, we will strengthen our investment in human resources, continuously developing and enhancing them and enriching our intellectual property, including our pipeline, products, technologies, know-how, and information, to drive future growth.

Meanwhile, in the dynamic and highly competitive environment surrounding us, we must swiftly adapt to rapid changes inside and outside the company that impact our business. To facilitate our response to such changes, we are aligning our management and human resources strategies, advancing internal reforms, and creating an environment to acquire, develop, and enable the success of talent that will drive global management and business. Currently, we are actively advancing global recruitment and development, while also globalizing our organizational structure and establishing a unified global human resources system. Our corporate culture, the One DS Culture, is creating a highly engaged and diverse workforce, fostering an environment that generates competitiveness and advantages through the practice of Core Behaviors. Fostering the One DS Culture contributes to our performance, internal and external collaborations, and most importantly, our ability to create innovative pharmaceuticals that meet diverse medical needs.

The results of the Global Engagement Survey for FY2023 show that the overall score has increased by 2 points from FY2022, and scores for all questions have improved compared to the previous year. Through positive feedback from many employees, we were able to sense their commitment to contributing to patients around the world. The efforts towards fostering a “culture of learning,” which has been a challenge, have also improved the related engagement scores. We will continue to make organizational efforts in learning and create an environment where employees can actively share their successes and failures and discuss root causes and potential solutions.

It is also very important to support each employee’s challenges and develop internal talent who can lead and execute the next transformation with a global mindset. Through the practice of Develop & Grow, one of our Core Behaviors, we aim to foster a “culture of learning” where employees acquire new skills in addition to their existing experiences and knowledge, and a “culture of nurturing” where organizational leaders and senior employees take the lead in development efforts.

Furthermore, considering the rapidly changing business environment and the evolving skills required of employees, we are advancing “Project EPOCH” to further optimize the entire Japanese organization, including group companies, and to further promote globalization from Japan. To allocate talents to new areas and roles where needed, we are implementing personnel transfers along with talent development programs that ensure the acquisition and enhancement of new expertise through practical work in the new positions. This initiative aims to encourage employees to proactively consider their careers and support their new challenges in required roles and tasks.

For details on the specific initiatives of Project EPOCH, click P30

Developing global leaders is also one of our top priorities. In April, we launched the “DS Academy” with CFO Ogawa as its inaugural dean, aiming to cultivate leaders who will lead our global organization. This academy offers various programs to help participants acquire advanced management skills and leadership capabilities. Among these, we believe it is highly significant to deepen understanding of Daiichi Sankyo’s over 100-year history and DNA, and to discuss the strategies our company should adopt for the future.

Additionally, by adopting a new global management system that includes the appointment of senior members outside of Japan, we are strengthening the global management foundation that supports our business growth.

COO’s Commitment for the Future

Traditionally, Japan has a concept known as *sanpoyoshi* or the “Three-Way Good,” which means “Good for the seller, good for the buyer, and good for society.” This idea holds that business should be beneficial for all parties involved—ourselves, our customers, and society. In modern terms, this means creating shared value with multiple stakeholders, which is precisely Daiichi Sankyo’s value co-creation model. We aim to grow as a company by realizing our Purpose and contributing more to patients. The resources obtained from this growth will be returned to each stakeholder in a balanced manner. It is crucial for us to be a company that is recognized and continuously meeting the expectations of society, where all stakeholders can benefit from our growth. As a leader in Daiichi Sankyo, I will continue to take responsibility and put this into practice. We will continue to actively communicate with all our stakeholders and work together to advance our management.

Outside Director (Independent Director),
Chairperson of the Nomination Committee
Takaaki Nishii

Representative Director,
President & COO
Hiroyuki Okuzawa

Outside Director (Independent Director),
Chairperson of the Compensation Committee
Sawako Nohara

Director, Executive Officer,
Head of Global HR, CHRO
Takashi Matsumoto

Talent Strategy of the Daiichi Sankyo Group Aiming to Become an Innovative Global Healthcare Company

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

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

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

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

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

Nohara While the globalization of Japanese companies often involves importing overseas talent strategies and human resources systems, our Group has fostered the One DS Culture without overly conforming to foreign workplace cultures. Instead, we have recognized and appreciated the strengths and differences of each culture, promoting mutual harmony. I believe this approach, distinct from what I’ve seen before, is uniquely characteristic of our company. As a result, many key positions in our overseas units are held by non-Japanese members who have worked with us for many years. We have numerous talented individuals who resonate with our company’s culture and values. Additionally, at the FY2024 Senior Management Meeting held this April, which was attended by about 160 core members from global units, I got the impression that all departments are working organically towards the 2030 Vision, fulfilling their roles to maximize profitability and contribute to patients. I believe our Group has become a workplace that is fulfilling, shares common goals, and inspires dreams.

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

Dialogue on Human Capital

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

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

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

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

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

Nishii As a prerequisite for securing and developing talent, we believe that further discussion is needed regarding our desired state in 2030. Healthcare is a very broad field, and clearly defining the type of healthcare company we aspire to become is a significant challenge. During the consideration of our next 5-year business plan, we need to clearly define our Vision and have thorough discussions to clarify the type of talent required. We believe that the strategic partnership with global mega-pharma companies has not only yielded results in oncology but has also had a significantly positive impact on our talent and organizational culture. We hope to progress towards our 2030 Vision by learning from the strengths of our global partner.

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

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

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

Matsumoto As globalization progresses within each unit and organization, we are currently working to unify our approach to evaluations, grades, and compensation globally to avoid conflicts between Japanese and international practices. At the same time, we are advancing the development of HR Information System, and we believe that once these supporting systems are in place, we can finally move on to the talent management, which is the next step. While it's important for Japanese employees to be able to compete globally, it's also crucial to establish a foundation that supports career development and enables overseas members to envision a long-term career with our company. Additionally, as Director Nohara pointed out, there are significant challenges regarding empowerment of women in Japan, and we need to develop systematic initiatives to globalize our approach to nationality and diversity as well.

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

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

Nohara The essence of Inclusion & Diversity goes beyond correcting formal disparities such as gender, nationality, or age. It involves cultivating an organizational culture where members with diverse values and expertise can engage in broad, multi-faceted discussions and create something meaningful from that dialogue. Many Japanese companies predominantly hire new graduates, which can lead to a somewhat standardized workforce. Moving forward, it is important to acquire and include talent with diverse careers, areas of expertise, and values to create a more inclusive workplace. I will also support the spread of such thinking and actions throughout all workplaces.

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

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

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

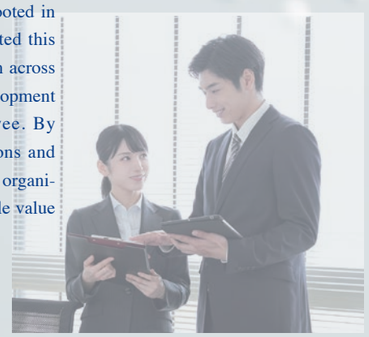
Special Feature

Daiichi Sankyo's "People"

Generating our Continued Innovation

Daiichi Sankyo Group is accelerating growth through the global expansion of our oncology business, with a particular focus on antibody-drug conjugates (ADCs), aiming for continued growth toward 2030 and beyond. To adapt to the rapidly changing business environment and contribute to a greater number of people worldwide, we are striving for further optimization across the entire organization. This approach aims to maximize our existing pipeline while continuously fostering the next wave of innovation.

The strength of our Science & Technology (S&T) capabilities, rooted in Japan, and the "people" of Daiichi Sankyo who have demonstrated this strength, has continuously served as a driving force for innovation across different eras. We aim to further strengthen our research and development capabilities by harnessing the full potential of each employee. By optimizing human capital to adapt to changing market conditions and achieving a transformation towards a more productive and efficient organization through globalizing our talent, we will realize our sustainable value creation.



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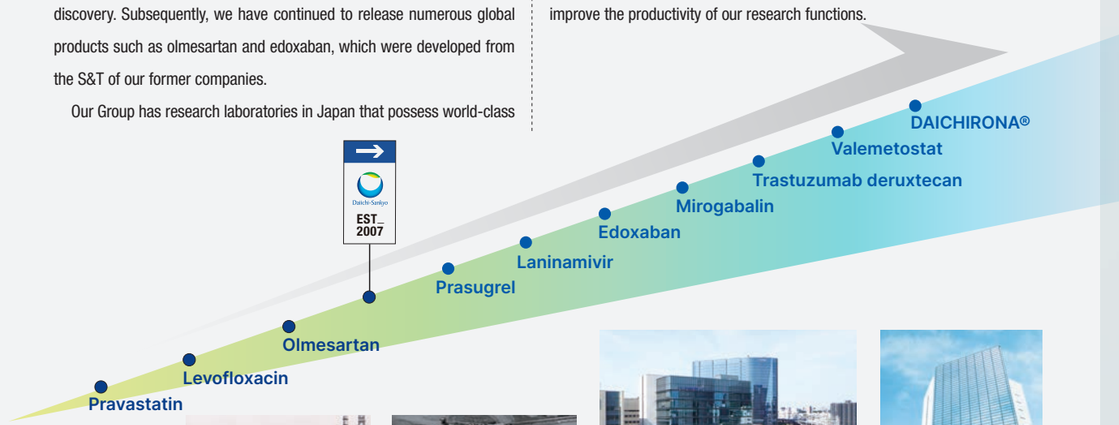
The Accumulated R&D Capabilities of Daiichi Sankyo

A Strong R&D DNA Inherited Over the Years as a Drug Discovery Company

Since our founding, our Group has grown by leveraging the strong R&D DNA that has been honed over many years, as a Japanese pharmaceutical company since its founding. We began our journey with the extraction of Adrenaline, the discovery of Oryzanin®, and the domestic production of Salvarsan, expanding our business with a focus on in-house drug discovery. Subsequently, we have continued to release numerous global products such as olmesartan and edoxaban, which were developed from the S&T of our former companies.

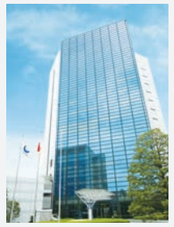
Our Group has research laboratories in Japan that possess world-class research and development capabilities and have developed new cancer therapies, including Enhertu®. These institutes serve as the foundation for our in-house drug discovery. To achieve sustained growth beyond 2030, we are committed to investing in our in-house drug discovery foundation and leveraging our global research innovation hubs to continuously improve the productivity of our research functions.



Shinagawa 1908

Kasai 1938

Shinagawa (Present)



Kasai (Present)

Incorporated as drug discovery-oriented companies originating from Japan

1902
Launched Adrenalin (product name: Adrenalin), the world's first adrenal cortex hormone agent to be extracted successfully

1910
Discovered the world's first vitamin B1 (Oryzanin) from rice bran, establishing the foundation for the theory of vitamins

1915
Realized domestic production of Salvarsan, a treatment for syphilis, which was a common disease in Japan

Creating and cultivating innovative pharmaceuticals in Japan

1965
Launched tranexamic acid (product name: Transamin®), an anti-plasmin agent

1981
Launched ticlopidine (product name: Panaldine®), a drug that pioneered anti-platelet therapy

1986
Launched loxoprofen (product name: Loxonin®), an anti-inflammatory and analgesic drug that is now also available as an over-the-counter (OTC) medication

Research capabilities producing groundbreaking products globally

1989
Launched pravastatin (product name: Mevalotin®), a cholesterol-lowering medication developed by applying biological fermentation technology, which revolutionized the world of medicine as an antihyperlipidemic agent.

1993
Launched levofloxacin (product name: Levaquin®), a broad-spectrum oral antibacterial agent that left a mark on the history of not only Japan but also the entire world with its broad spectrum of antibacterial activity

Development capabilities executing large-scale global clinical trials successfully

2002
Launched olmesartan (product names: Olmetec®, Benicar®), an antihypertensive agent on the global market. Japanese launch took place in 2004.

2009
Launched prasugrel (product name: Effient®), an antiplatelet agent developed for the global market

2011
Launched edoxaban (product names: LIXIANA,® SAVAYSA®), an anticoagulant developed for the global market

2020
Launched trastuzumab deruxtecan (product name: Enhertu), an anti-cancer agent developed for the global market that utilizes our proprietary DXd ADC technology

Innovation is Driven by Excellent “Talent” and the “Organization” that Makes Best Use of Them

The foundation for creating innovative pharmaceuticals in response to evolving needs is built on Daiichi Sankyo’s strengths in S&T, such as “scientific assessment capabilities” and “technological capabilities to refine medicines,” developed over a long period. This foundation is driven by the “people” at Daiichi Sankyo who generate these innovations.

❶ **Organizational Culture that Promotes Innovation**: Our company has an organizational culture that nurtures highly specialized talents who have long tenures and continue to pursue scientific research. This environment fosters innovation within our organization. Additionally, our culture promotes diversity, including the active participation of women and international talents and experts. This diversity contributes to the creation of further innovations.

❷ **Creation of Education and Growth Opportunities at Overseas Research Laboratories**: Our company creates opportunities for many researchers to study at overseas research laboratories with cutting-edge science. The growth and development of these employees lead to their active contributions upon returning to our research laboratories, thereby revitalizing the organization.

❸ **Human Resource Enhancement in Key Areas**: Our top-class achievements in drug discovery research have attracted exceptional talent in Japan. By continuously hiring outstanding talents, we aim to strengthen our workforce of employees with scientific and technological expertise. In addition, we strategically reassign highly skilled researchers within the company to key areas, fostering the development of specialized drug discovery talent. Furthermore, the high level of trust from management to the R&D organization leads to a strong motivation for the entire organization and individual researchers to produce results, creating a positive cycle that generates new value.

For more information on Daiichi Sankyo’s pipeline, click here

Message from the Head of R&D Division

Since before the incorporation, Daiichi Sankyo has been creating numerous new medicines. From the 1980s onwards, we have contributed to global healthcare by developing renowned medications such as Mevalotin, Cravit, Olmetec, Lixiana, and Enhertu, and have experienced substantial growth. The Shinagawa and Kasai research centers have served as the breeding grounds for such drug discoveries. With exceptional researchers coming together and keeping patients in mind, our research laboratories engage in the daily challenge of drug development. A culture of collaboration has taken root, where full and frank discussions occur, and individuals mutually enhance each other. In the development process, we have gained valuable experience through the formulation and implementation of development strategies that significantly transform the standard of care (SOC) in various therapeutic areas, allowing us to deliver our innovations to a greater number of patients. We believe that our growing research and development talents, along with this cycle of challenges and learning, form the foundation for the next wave of innovation and serve as the continuous source of our S&T strength.

Head of R&D Division
Executive Officer
Toshinori Agatsuma

Further enhancing the strengths of S&T for the continuous creation of innovation

Measures to strengthen science capabilities

In our research, we are focusing on multi-modality research with the goal of creating a new pillar following DXd ADC. We are advancing the application of Data-Driven Drug Discovery to various modalities and further promoting Research DX, including the smartification of our research laboratories. Additionally, we will further expand our Research Institutes established in Boston and Munich. In translational research, which connects research with clinical trials, we aim to improve the success rate of clinical trials through patient selection and dose optimization, and achieve precision medicine in real-world clinical settings. In addition to advancing various analytical technologies such as omics and pathology, we will leverage the vast analytical data obtained from clinical trials of our extensive pipeline to strengthen our understanding of diseases and patient backgrounds, and to elucidate mechanisms. We will also further develop systems to utilize these clinical insights in exploratory research.

Strengthening organizational culture and human resources

In addition to the accumulation of experience in continuously creating innovative pharmaceuticals, Daiichi Sankyo’s strength lies in respecting individual craftspersonship and fostering an organizational culture where open and free exchange of ideas is encouraged. Through hosting internal academic events such as R&D Forums and Science Symposium, we aim to activate and deepen communication, while also advancing global talent development and proactive career recruitment, particularly in the development sector. Our achievement of creating DXd ADC attracts outstanding talent and enables further strengthening of our S&T capabilities.

Message from the Head of Therapeutic Area Strategies, Research & Development Unit

I’m proud that Daiichi Sankyo is committed to building a culture of learning by reflecting on successes and failures. This will be vital to achieving our Purpose and Mission. The concept of "Intelligent Failure," also known around the world as "kaizen," is deeply rooted within the Daiichi Sankyo organization.In some business cultures, there is a prioritization of moving on to new challenges immediately after a project is completed, rather than taking the time to reflect. However, even if we make mistakes, I believe it is crucial to reflect on our actions by focusing on facts rather than judging people, and we can promote next challenges through this Lessons Learned processes by broadening our perspective, sharing with other teams, and accepting new discoveries flexibly. I believe this is extremely important to maintain our excellent DNA rooted in Daiichi Sankyo, which continuously generates innovation. Expanding this concept of "Intelligent Failure" to more functions and sections throughout our global organization will further enhance Daiichi Sankyo's strengths in Science & Technology and drive our initiative for growth.

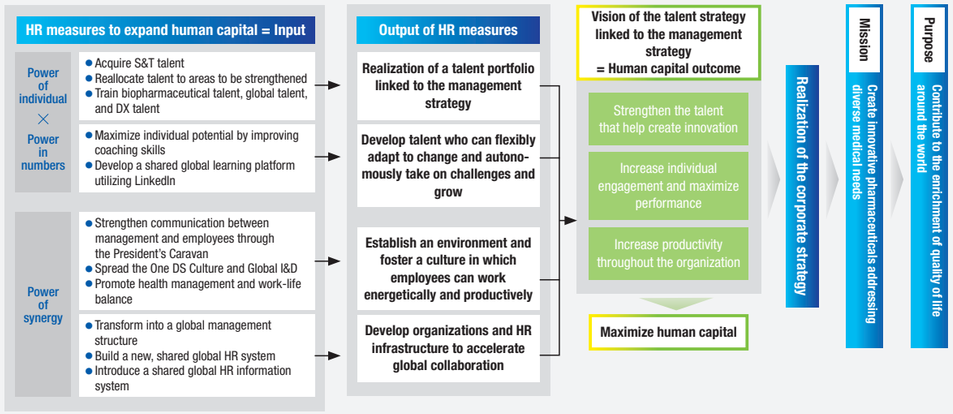
Head of Therapeutic Area Strategies, Research & Development Unit
Daiichi Sankyo, Inc.
Corporate Officer
Atsushi Tsukamoto

2

Strengthening Talent for Achieving an Innovative Global Healthcare Company

Approach to Human Capital Strategy

We empower our people as they are the most important asset. To achieve our Purpose and Mission, we aim to maximize human capital through the promotion and development of talent across various areas of the value chain, striving for mutual sustainable growth for both employees and the company. All business activities are supported by talent, and we believe that acquiring diverse talent and implementing effective human capital management in our global business expansion are sources of competitiveness. In our Group, "human capital" is defined as a combination of three elements: "Power of individual" (strengthening individual strengths), "Power in numbers" (continuous supply of talent to areas of focus), and "Power of synergy" (structures, systems, and measures to create synergy among people and organizations). In line with our business strategy, we monitor the various elements of human capital that need strengthening, while working on evaluating the effectiveness of measures and further enhancing human capital expansion.



Global Initiatives

We have established a global common top-level concept and guideline known as "People Philosophy," and based on this, we design and promote each HR measure. We are also committed to fostering a global common corporate culture, "One DS Culture," and through the practice of the three Core Behaviors, we strive to build trust across functions and regions and achieve collaboration. Since 2022, we have been implementing the "Core Behavior Awards," which recognize and reward employees who embody Core Behaviors, to promote and encourage these Behaviors. Additionally, to promote sustainable growth through global collaboration, we are advancing the construction and implementation of a global common HR system and HR information system.

In the FY2023, we have seconded 111 employees from Japan to the United States, 32 employees to Europe, and 22 employees to Asia, Central and South America. This allows for talent development through exposure to different cultures and management practices. Also, we have 11 employees seconded from overseas group companies to Japan, facilitating mutual exchange and development opportunities. Additionally, to support further employee growth, we have created global standardized content and conducted coaching and feedback training targeted at management positions. Furthermore, we have established the "Global I&D Statement," which clearly outlines our stance and approach to Inclusion & Diversity (I&D) both internally and externally. We believe that having all employees be accepted and able to fully demonstrate their abilities leads to global business expansion and the creation of innovation.

Number of employees transferred under the secondment program (as of FY2023)

Department	Areas to be transferred	Number of seconded employees
Japan	US	111
	EU	32
	Asia, and Central and South America	22
Overseas Group Companies	Japanese domestic	11

Global Culture Initiatives: Comment from Core Behavior Awards Recipient

As Daiichi Sankyo Europe GmbH consists of diverse backgrounds, having a mutual culture to unite us is very important to collaborate with each other. To exchange ideas and best practices about Core Behaviors, I held "Culture Talks" for members from different departments. I'm deeply honored to be recognized for embracing "Collaborate & Trust". It highlights how building trusting relationships can lead to real innovations and team success.

Global Corporate Planning Management Excellence EUCD
Graduate Trainee
Eva Papamichali

Initiatives towards Developing Specialized Professionals

Our Group is experiencing accelerated global growth, and the business environment is changing rapidly. As a result, the skills required of employees are also changing significantly. To robustly support this situation, we have identified our specialized professionals as "Biopharmaceutical (process development, manufacturing, quality assurance, etc.)," "Global Business," and "DX" as key areas for strengthening. We have established organizations responsible for developing specialized talent in these areas and are constructing systematic training programs. Additionally, to increase the number of specialized professionals, we implement an internal recruitment system (Career Challenge Program) to support employees' autonomous career development and reskilling efforts. Furthermore, to foster a "culture of learning and training" within the organizations responsible for development, we conduct "Trainer-Trainee Training" aimed at developing essential mindsets and skills for both trainers and trainees. We are planning to invest approximately 1 billion yen starting from the FY2023 towards developing specialized talent in three areas, including investment in necessary manufacturing facilities for the development of biopharmaceutical professionals.

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.

3

Expected Outputs and Outcomes

By implementing the above human capital measures, our Group believes that we can achieve the enhancement of S&T and global talent, support individual growth, and establish an organizational culture and environment where diverse talents can thrive. To deliver innovative pharmaceuticals and treatment solutions to people around the world, we aim to maximize human capital and strengthen our business foundation. This will drive the transformation into a highly productive, innovative organization and achieve sustainable value creation.

Creating Shared Value with Stakeholders

To achieve our Group's Purpose to "contribute to the enrichment of quality of life 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, we have positioned "creating shared value with stakeholders" as one of our strategies. We actively engage in dialogue with all stakeholders, including patients, shareholders/investors, society, and employees. We will integrate the expectations and needs based on diverse values identified through dialogue, into our management strategy as sustainability challenges that we should address. By aligning with our business activities, we will create unique value that only our company can provide. Through constructive dialogue with our stakeholders, we will continue to build and maintain healthy and productive relationships with those who are significantly impacted by our Group's activities and decisions, or who influence our Group's business. We aim to become a company that earns even greater trust from society.

Daiichi Sankyo Group Stakeholders

Purpose of Stakeholder Engagement

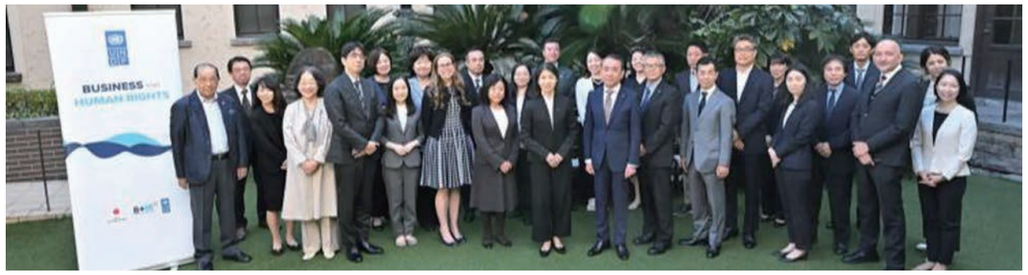
Patients and their Families	Understand the daily lives, needs, and hopes of patients and their families, through analyzing feedback and quality of life data from patients and healthcare professionals. Aim to improve the quality of life of patients and help them have an enjoyable life with their families with smiles on their faces by incorporating the results of this analysis into our initiatives.
Healthcare Professionals	Enhance therapeutic options and transform the standard of care by creating innovative pharmaceuticals and providing useful information to healthcare professionals to improve treatment satisfaction levels and understand the needs of healthcare professionals.
Shareholders and Investors	Further enhance mutual understanding and growth by providing disclosures based on the principles of transparency, fairness and continuity, including actively sharing mid-to-long-term strategies, initiatives for sustainable growth, and other management information that will help shareholders and investors understand the Company, while reflecting their opinions in corporate management through constructive dialogue from a mid- to-long-term perspective.
Business Partners	Grow together and enhance mutual value over the long term as trusted business partners by seeking their understanding of the Group's approach to sustainability based on the Business Partner Code of Conduct (BPCC) and promoting initiatives to create a sustainable society that takes human rights and the environment into consideration.
Employees	Create an environment in which employees are highly engaged, grow as individuals, and thrive by respecting the diversity of each employee and promoting and developing human resources in each area of the value chain. Promote the mutual sustainable growth of our employees and and the Company.
Local Communities	Enrich the quality of life around the world by collecting information on local needs, including local diseases and healthcare delivery systems, and using this information to provide the necessary human resource development and medical services in each region to advance and strengthen the healthcare infrastructure.
Natural Environment	Accurately grasp environmental conditions and social needs, reduce the environmental impact of our activities throughout the value chain, including by conserving resources and recycling resources, and reduce mutual risks between our business and the natural environment.
Governments, Administration, Regulatory Authorities, Payers (Insurer)	Contribute to ensure and expand access to drugs for patients around the world by building appropriate relationships of trust with national governments, administrations, regulatory authorities, and payers (insurer), and by ensuring appropriate evaluation of drug innovations, which will lead to a sustainable R&D investment cycle for creating innovative pharmaceuticals to address unmet medical needs.

Case Study 1 Dialogue for Promoting Human Rights Due Diligence

On October 16, 2023, Takashi Fukuoka, Head of Global Corporate Strategy overseeing our company's human rights initiatives, participated in the Round Table on Business and Human Rights for senior executives hosted by the UNDP*. Mr. Fukuoka exchanged views on promoting human rights due diligence (Human Rights DD) with domestic and international experts, institutional investors, and CEOs and related executives from seven leading Japanese companies with global operations. He shared initiatives and challenges related to human rights in business and reaffirmed the importance of top-level commitment to promoting human rights. By deepening our understanding of external opinions and the excellent initiatives of other companies, we will further accelerate the implementation of Human Rights DD within our group.

*The UNDP (United Nations Development Programme), with support from the Japanese government, held this roundtable session as part of the "Business and Human Rights Project" aimed at corporate management.

For more information on our human rights initiatives, click P90



Business and Human Rights Roundtable Attendees (October 16, 2023)

Case Study 2 Dialogue with Access to Medicine Foundation

Our Group has established Daiichi Sankyo Policy on Access to Healthcare and is working on "expanding access to healthcare" to deliver innovative pharmaceuticals to more patients around the world. Given the nature of our business, which has a strong focus on oncology, we recognize the challenges in reaching low- and middle-income countries. Therefore, we are engaging with the Access to Medicine Foundation and leading investors to improve access to healthcare. We are engaging in the initiative jointly with the Foundation in collaboration with our lead investor, Nomura Asset Management. On behalf of the investors, Nomura Asset Management communicated our requests and activities to the Foundation. At the same time, we received a great deal of feedback on the current status and challenges of our Group, which reaffirmed the importance of our information disclosure regarding access to healthcare. Additionally, through this engagement, the Foundation gained the opportunity to consider the significance of our efforts for expanding access to healthcare.

This initiative was featured in Nomura Asset Management's Responsible Investment Report.
https://www.nomura-am.co.jp/special/esg/library/ri-report.html

For more information on our access to healthcare initiatives, click P91

Dr. Iyer, CEO of the Access to Medicine Foundation, and Dr. Manabe, our CEO, held discussions on the challenges related to access to healthcare for Daiichi Sankyo products
(October 15, 2023)

Message from the Lead Investor, Nomura Asset Management

Our company participates in many international initiatives that address social issues, and we place significant importance on the activities of the Access to Medicine Foundation. Since 2023, we have been responsible for collaborative engagement with Daiichi Sankyo as the lead investor. It is not easy for Japanese pharmaceutical companies to enhance access to healthcare due to limited infrastructure such as distribution networks in low- and middle-income countries, to enhance access to healthcare. In this context, Daiichi Sankyo's efforts to improve access through its partnership with AstraZeneca are an excellent initiative. We are very pleased that through engagement, we were able to convey the significance and initiatives of the alliance model to the Access to Medicine Foundation, leading to a reconsideration of their evaluation of Daiichi Sankyo.

Nomura Asset Management Engagement Engagement Dept., Inagaki (left)
Responsible Investment Dept., Takeuchi (right)

Patient Centricity Initiatives

In our Group, "Patient Centricity" means that our corporate slogan, "Passion for Innovation. Compassion for Patients.®," which embodies our shared commitment of all employees to being a source of hope for patients in their treatment journey, is at the core of our corporate activities. We continually focus on patients and strengthen various initiatives across the entire value chain to further contribute to their well-being.

Initiatives in the Value Chain

Passion for Innovation. Compassion for Patients.®

Drug discovery and research	Clinical development	Supply chain	Sales/ Information provision

Patient-oriented value chain activities and creating shared value with patients. Listening to patient's voices, promoting PPI[*1] in everything from R&D to post-marketing activities, and providing information to patients, and support their activities.

Drug discovery and research	Clinical development	Supply chain	Sales/ Information provision
Understand unmet medical needs (COMPASS[*2] activities) Promote utilization of PRO[*3] in clinical trials Example ❷ Promote patient-focused drug development (PFDD[*4]) Example ❸ ・Prepare straightforward and easy-to-understand clinical trial-related explanatory documents ・Send Thank You Letters to participants ・Prepare and publish Lay Summary[*5]	Develop new patient-oriented dosage forms, combination drugs, and LCM formulations, and improve packaging Direct to patient activities: Supply investigational drugs to the homes or nearby facilities of patients who are unable to go to hospitals due to infectious disease outbreaks or other circumstances	Provide evidence for efficacy, safety, etc. according to the needs of healthcare professionals and patients and implement a drug risk management plan Example ❶ Provide medication assistance and respond to inquiries from healthcare professionals and patients Implement an EAP[*6] and patient support program

Collaboration with patient groups and patient advocacy activities (Solutions to problems related to policies and programs from the patient's perspective, support for the educational activities of patient groups, etc.)

*1 Patient and Public Involvement
*2 Compassion for Patients Strategy. Initiatives to understand the realities of diseases and treatments, as well as patient needs through communication with patients.
*3 Patient Reported Outcome: Patient-centered endpoints focusing on QoL and patient experience
*4 Patient-Focused Drug Development
*5 A summary of clinical trial results written in plain, easy-to-understand language
*6 Expanded Access Program: A system for providing unapproved drugs in clinical trials conducted from a humanitarian perspective

❶ CSPV Initiatives to Ensure Patient Safety

The CSPV (Clinical Safety & Pharmacovigilance) Unit has set a 2030 Vision to become a "Global Unit which contributes to ensuring patient safety by providing high quality safety information in a timely manner for all products while expanding oncology products and new modality from development to post-marketing." We lead proactive safety monitoring and risk management throughout the entire product lifecycle from development to post-marketing and ensure Patient Safety.

We implement various initiatives to ensure the safety of our medicines and enable patients in need to use them as quickly as possible, while complying with regulations in each country. The concept of Patient Centricity is the fundamental principle of our safety management..

For example, we have programs that allow patients to access our products imported from overseas prior to new drug approval and market launch. Even in such exceptional cases, to ensure patient safety, we implement various measures such as conducting training for healthcare professionals, distributing materials explaining proper usage, and continuously monitoring usage conditions. These efforts ensure that treatments are administered appropriately.

Additionally, under the leadership of the CSPV Unit, we implement safety management through close collaboration with the development department, medical affairs department, and partner companies.

We tailor our activities to the regulations and conditions of different countries around the world, by collecting safety-related needs from healthcare professionals and patients in various countries, sharing those safety issues and developing safety management strategies.

In Japan, we have established an information provision system using a real-time side effects search system. This system enables us to quickly provide healthcare professionals with the latest side effects information, including detailed clinical courses for individual patients. This helps reduce the risks of side effects and improves treatment continuity for patients.

Activities of CSPV: Proactive Safety Monitoring and Risk Management

Message from the Head of CSPV Division

Medicines become truly effective only when "top-quality pharmaceutical products" are combined with the "provision of appropriate information." Additionally, no matter how excellent a drug's efficacy may be, there is no medication without the risk of side effects. It is important to analyze the safety and efficacy information of pharmaceuticals, evaluate them based on the benefit-risk balance, and provide the necessary information to ensure that our products with excellent efficacy are used appropriately. The CSPV Unit upholds the "Patient First" mindset and implements safety monitoring and risk management globally throughout the product lifecycle, from development to post-marketing. We strive to provide timely and appropriate usage information so that healthcare professionals, particularly physicians, can offer optimal treatments to patients, ensuring that patients can use our products with confidence.

Head of CSPV Division
Wada Kento

❷ Promoting the Use of Patient-Reported Outcomes (PRO)

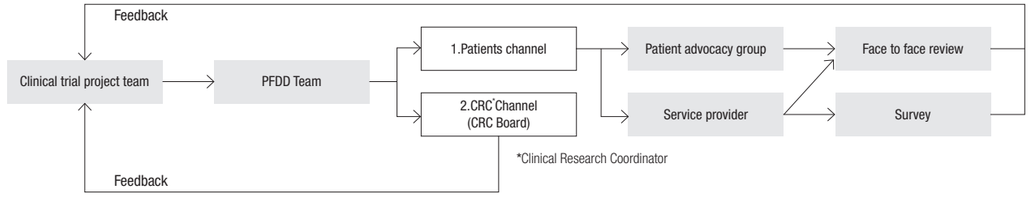
Our Group actively utilizes Patient-Reported Outcomes (PRO), which incorporate patients' subjective assessments of symptoms, Quality of Life (QOL), and other factors into clinical trials. For Enhertu®, the PRO-DUCE study conducted in Japan demonstrated that breast cancer patients who used electronic Patient-Reported Outcomes (ePRO) monitoring via devices such as smartphones, in addition to usual care, showed a significant improvement in QOL scores compared to the usual care group. Additionally, the DESTINY-Breast02, 03, and 04 trials have also demonstrated significant control and improvement of health conditions, such as fatigue and pain, during the treatment period. Moving forward, we will continue to utilize PRO to accurately capture the patient's perspective and pursue further contributions.

❸ Patient-Focused Drug Development (PFDD) Reflecting Patients' Voices in Drug Development

Reflecting "patients' voices" in clinical trials leads to reduced burden on patients, improved understanding, enhanced quality of clinical trials, and accelerated progress, ultimately allowing new drugs to reach patients more quickly. Since 2022, we have established a specialized team within our development function dedicated to executing Patient-Focused Drug Development (PFDD) initiatives that reflect "patients' voices" in drug development. This team has built a framework for timely communication with patients and clinical trial coordinators, focusing on the review of clinical trial-related materials and actively engaging in Patient and Public Involvement (PPI). As specific examples of our activities, we not only review clinical trial protocols and informed consent forms (ICF) but also provide lay summaries and Thank You Letters[*7]. Based on the feedback from patients, we have made changes to clinical trial plans, including adjustments to in-hospital waiting times for patients, the testing schedule related to the initiation of investigational drug administration, and the relaxation of exclusion criteria. For the ICF, we addressed issues such as literal translations from English that resulted in awkward Japanese expressions, insufficient explanations of medical terminology, and sentence structures that could easily lead to misunderstandings. These improvements have been incorporated into the templates for clinical trial-related documents. Currently, PFDD initiatives are being implemented in Japan. However, we plan to expand these efforts globally by taking into consideration ICH and FDA guidelines and collaborating with our overseas Group companies. Moving forward, we will strive to contribute to better healthcare by promoting and strengthening industry-wide efforts to reflect "patients' voices" into clinical trials.

*7 A card that includes a thank you message to clinical trial participants and information about the disclosure of clinical trial results.

PFDD Framework



Patient Centricity Panel Discussion

Outside Director (Independent Director)
Yasuhiro Komatsu

Executive Officer, Head of Medical Affairs Division,
Japan Business Unit Special Assignment on Patient Centricity
Shizuko Ueno

Towards Realizing Daiichi Sankyo's Patient Centricity

~ Listening to Patient Voices, Collaborating for Shared Value

As one of the strategic pillars of our current 5-year business plan, "Creating Shared Value with Stakeholders," we have strengthened the promotion of Patient Centricity as a core of our business activities throughout the entire value chain. In this regard, we organized a panel discussion involving the Outside Director with experience in clinical medicine and public health, the Patient Centricity Special Assignment, and top managements from our global organizations, who are leading Patient Centricity initiatives in the oncology and specialty areas to exchange opinions on our Group's perspective regarding Patient Centricity.

Global Head of Advocacy & Strategic Relations,
Global Medical Affairs, Oncology
Gissoo DeCotiis

Head of European Specialty Business Unit
Oliver Appelhans

Ueno I was appointed to Patient Centricity Special Assignment starting this fiscal year. Patient Centricity is a vital value for our Group, as it serves as a core of our business activities. To further contribute to patients, the entire Group must share the understanding of Patient Centricity and strengthen it globally and cross-functionally. In this panel discussion, I would like to share our activities based on our compassion for patients, and exchange opinions on Patient Centricity, focusing on the challenges faced in the medical field. I hope to convey our concept of Patient Centricity to all our readers.

Introduction of experiences, insights, and current positions regarding Patient Centricity

Ueno First, Dr. Komatsu, could you share your opinions on the current state of Patient Centricity in the medical field, based on your own experiences and insights?

Komatsu When considering Patient Centricity, direct care for patients, the hospital management & administration, research and policy initiatives are important. Among these, the essence of Patient Centricity at the direct care level is to share common goals and values between patients and healthcare professionals[*1]. In the healthcare field, there has been an increasing emphasis on healthcare that takes into account the values and perspectives of patients. However, despite our efforts as healthcare professionals to understand and explain what is important to patients and provide healthcare, there is still a challenge of patients unable to voice the questions they want to ask. It is necessary to build a trusting relationship where patients can freely communicate so that healthcare providers can truly understand their needs. 40 years ago, the paternalistic model was predominant in healthcare where physicians decided the treatment for the patient and obtained patients' consent. However, nowadays, Shared decision-making, which involves collaboration between healthcare professionals and patients, considering both medical and patients' needs, is highly valued. In my opinion, the essence of Patient Centricity is to discuss what is most important and optimal for each patient and reach a mutually agreeable conclusion.

Ueno Next, I would like to ask Gissoo and Oliver about promoting Patient Centricity within our company. Based on your own experiences and insights, could you tell us how you are fulfilling your roles?

Gissoo As the Head of Advocacy, Global Oncology Medical Affairs, I encourage our internal and external stakeholders to be focused on the needs of the patients and always keep the patient at the top of their mind when they go through their day-to-day work. Particularly in the field of oncology, asking patients' perspectives about their lived experience with cancer and considering how to meet the unmet needs of the patients is very important. For example, we strive to incorporate the voices and perspectives of patients throughout the development process, from preclinical stages to late-stage clinical trials all the way to commercialization and every step in between. What we truly aim for is "inclusion" of patients in the entire process to share their valuable lived experiences which will make our processes more robust and patient centric.

Oliver Looking back at the start of my career in the pharmaceutical industry, I worked as a sales representative 20 years ago. At that time, I had the opportunity to experience direct exchange with patients, by educating and raising awareness among patients. It also left me with the fundamental understanding that patients really must be the foundation of our decision-making.

This experience perfectly aligns with the concept of Patient Centricity that our Group aims for. One concrete example of putting this experience into practice is the launch of Lixiana®, the anticoagulant, in Europe, where I collaborated with Arrhythmia Alliance, the leading global Patient Organization in the field of arrhythmias. Together, we promoted various initiatives and educational campaigns with a patient-centric approach. Additionally, while I served as General Manager at Daiichi Sankyo Germany, I established strong relationships with patient organizations such as the German Stroke Foundation and the German Hypertension League. We discussed the current status and challenges of cardiovascular diseases (CVD) with diverse stakeholders from the patient's perspective and provided support to improve quality of life (QOL).

Global Initiatives for Patient Centricity

Ueno Please provide specific examples of initiatives and achievements related to Patient Centricity in the oncology and specialty fields.

Gissoo The Global Patient Advocacy team that I lead primarily focuses on cancer patients, caregivers, and other like-minded stakeholders. We focus on activities that add value to patients through our pharmaceutical products and services and enable cancer patients to live longer and better lives with less side effects. Specifically, we actively engage with many patients to gain a better understanding of their daily lives and the challenges they face in their treatment, access to medicines, mental health support and overarching survivorship needs. Additionally, we engage with over 900 patient advocacy groups worldwide throughout the year. We are actively collaborating with the most suitable organizations to establish long-term relationships and jointly develop programs such as awareness-raising campaigns and educational initiatives that will help patients' quality of life. Regarding the process, we developed the Patient Steering Committee that reflects the patients' voices. Within this committee, we have identified challenges for cancer patients and are conducting activities to tackle the challenges based on our Advocacy Engagement Strategy (see Figure 1). One of the goals of our Advocacy Engagement Strategy is to identify the unmet needs of patients in the disease areas of interest to our pipeline assets. For instance, many cancer patients

*1 https://doi.org/10.1377/hlthaff.2012.1133

face various challenges such as a not being aware of clinical trials or understanding of biomarker testing. To address these issues, we collaborate with relevant organizations to raise awareness of the importance of testing and to provide support in improving patient access to clinical trials and increase biomarker testing rates. Additionally, we conduct surveys to directly ask patients about their reasons for choosing specific treatments or clinical trials, and we also established advisory committees with a focus on patient experiences with ADCs in both the US and Europe. These initiatives provide us valuable insights. Furthermore, we support public education and campaigns to raise awareness in order to reduce the social stigma associated with cancer. Our daily efforts are to improve the quality of life for patients, with the goal for them to "thrive with cancer", and to provide the necessary support for patients and their families to live better and longer lives.

Oliver I will discuss Patient Centricity with a focus on CVD. CVD is a leading cause of death worldwide, with Europe alone experiencing more than 10,000 deaths per day. Additionally, it is projected that the population of individuals aged 65 and above in Europe will reach 155 million by 2040, further increasing the incidence of CVD. Considering this situation, the EU Specialty Business Unit has implemented three specific initiatives. Firstly, we established a Patient Engagement function in 2023 to strengthen our collaboration with patient organizations. This function is working closely with the Oncology Business Unit Patient Advocacy team to ensure a consistent approach across our entire Group. We aim to support healthcare professionals in managing the entire life journey of patients with cardiovascular disease from a long-term perspective, providing comprehensive care and support. The second is to strengthen our relationship with patient organizations. We have conducted surveys with patient organizations in 10 European countries and recognized that our company is widely known throughout Europe and there is an expectation for further collaboration. Based on these results, we have established cooperative relationships with 4 relevant patient organizations in Europe[*2]. The third initiative is to raise patients' awareness through education and campaigns. We have launched disease awareness campaigns for atrial fibrillation and dyslipidemia through two patient-focused websites[*3], to increase their literacy and also to promote the prevention in a holistic and human-centric way. We also provide information on CVD through the website, "We Care for Every Heartbeat[*4] ", which serves as a central hub for all activities. Furthermore, in collaboration with the Oncology Business Unit, we organize the "O-Mamori Award" to support organizations implementing innovative projects that contribute to improving the quality of life, prevention, and education for patients. Following last year's event, we are planning to hold the "Dyslipidemia Flash Mob" event for disease awareness on this year's World Heart Day, with the sponsorship of three patient organizations.

Figure1 Advocacy Engagement Strategy

Strategic imperatives	Actions to close gaps	Measures of success
・Identify unmet patient needs in treatment on current compounds targets ・Low patient awareness of biomarker testing and the impact on appropriate treatment decisions ・Understanding patient lived experience including importance of Clinical Trials, QOL, side effect management and tolerability ・Counter cancer stigma to avoid discrimination feeling and overcome barriers	・Patient advisory committees (US and EU) focused on burden of disease, MOA, lived experience and ADCs ・Direct support of PAGs, medical societies and coalitions to increase knowledge, access and testing rates for patients ・Develop caregiver specific information through partnerships ・Engage cancer Patients through advisory boards and surveys to better understand treatment choices and adherence to regimens ・Support Public education campaigns / PSAs to reduce stigma for lung cancer patients	・Development of tools for physicians to engage in more effective Shared Decision-making conversations ・Increased patient access to biomarker testing ・Improved patient AE support/management leading to improved QOL PRO ・Increase in patient referral to care

As part of the "We Care For Every Heartbeat" initiative, we are conducting the European Survey of Cardiovascular Disease to assess the current understanding and perceptions of CVD in order to improve early diagnosis and treatment for patients. *The survey targets over 6,000 individuals from five countries (Germany, Italy, the Netherlands, Spain, and the UK) and will take place in October 2021.

Challenges towards realizing Patient Centricity in the medical field

Ueno I would like to ask Dr. Komatsu about the challenges in realizing Patient Centricity in the healthcare field, from the perspective of an expert in clinical and public health.

Komatsu While Patient Centricity is an important concept, many challenges and barriers still exist. For example, in the clinical setting, there is a significant gap in understanding between healthcare professionals and patients. Even if healthcare professionals strive to understand patients' values, there are still cases where patients themselves are unaware of their own needs. Therefore, it is necessary for us to strengthen our relationship with patients and their families and create opportunities for patients to freely express their thoughts, in order to identify their individual values and needs. To accurately understand patients' needs, we need to utilize various channels. One initiative I am working on is the development of decision-making support and communication tools for patients. The tool is composed of a six-page note in which patients can record their daily lives, changes in their condition, and any questions they may have. By sharing this with their doctors during consultations, it enables patients and doctors to communicate smoothly and certainly. Even patients who may hesitate to express their concerns verbally can share information through the note. Developing such materials and tools can be challenging for individual healthcare institutions, so I believe that involving pharmaceutical companies and advocacy organizations in development would be beneficial for both patients and healthcare professionals.

Challenges and expectations for the future promotion of Patient Centricity

Ueno Oliver, Gissoo, could you share your thoughts on the challenges in promoting Patient Centricity within your respective organizations and the expectations for our Group in promoting further co-creation of value with patients?

Oliver We have varying strict regulatory environments in Europe. Therefore, significant efforts are required to communicate with patients in meaningful ways and provide value. Patients now have access to a wealth of information about their symptoms, diseases, and side effects, and their needs and demands have become diverse. In particular, in recent years, the importance of prevention has increased significantly, and patient organizations are increasingly engaged in disease awareness and education. In the midst of these societal changes, the pharmaceutical industry has a responsibility to support communication between healthcare professionals and patients and contribute to the transformation of healthcare by not only providing valuable contributions through medicines but also enhancing patient empowerment through the provision of comprehensive disease awareness information. In our global market strategy, in order to enable healthcare professionals, payers, and other stakeholders to make the best choices for patients, we focus on providing information from a deeper patient perspective and support on their activities. Collaboration with patient organizations is essential in these activities. We will continue to work responsibly and build long-term trusted relationships with patient organizations, as we believe that this is the key to success.

Gissoo I agree with Oliver's opinion. It is a wonderful thing to have cross-organizational activities, especially when significant changes are happening throughout our organization. Patient Centricity is a challenge that concerns all of us. It is important for each individual, within their respective organizations and daily work, to consider how they can take actions with the patients' perspectives. Although some teams may not be able to engage directly with patients, all of our work is ultimately connected to providing value to patients. I think "listening" is the most important part, hearing what the patient's needs are and working internally with all of our cross-functional partners and alliance partners to be able to deliver on that promise to the patients that we could make their quality of lives better.

Komatsu There is a concept called the Socio-Ecological Framework that is highly regarded in public health. It suggests that various levels of interaction, such as individual, interpersonal, community, and societal/policy levels, influence people's health and behavior. Although companies have limited contact with individuals, society, and policy levels due to various regulations, I believe that they can contribute to the Socio-Ecological Framework by supporting patients in collaboration with healthcare providers. Furthermore, patient involvement is needed to enhance the quality of clinical trials. To encourage active patient participation in clinical trials, it is important for patients to consider themselves not just as research subjects but as "co-creators of pharmaceuticals" whose participation can benefit other patients. Through this process, doctors and pharmaceutical companies can gain insights from patients' experiences in clinical trials and Patient Journeys. By reflecting them, I believe we can achieve further improvement and success in clinical trials. In addition to individual patients, social-wide public awareness initiative is also important. This is something that cannot be achieved by healthcare providers alone in hospitals, and I believe that pharmaceutical companies should exert greater influence in this area.

Ueno Through today's discussion, we have gained many insights from each specialized field. Firstly, it is necessary to further spread the mindset of Patient Centricity in all countries, regions, and organizations within the Daiichi Sankyo Group. Everything we do as pharmaceutical companies contributes to improving patients' lives. By carefully listening to patients' opinions and incorporating their voices into our work and decision-making processes, we can provide effective solutions.

Collaboration with various stakeholders, including patient organizations, is essential for co-creating value with patients. We will continue to strengthen communication with various organizations and work towards a better society with Patient Centricity as our guiding principle.

*2 Global Heart Hub, FH Europe, European Patients Forum, and the European Patients Academy for Therapeutic Innovation
*3 https://www.healthy-heart.org/
https://www.afibmatters.org/
*4 www.wecareforeveryheartbeat.com

CFO Message

As we aim to achieve our 2025 goals and realize our 2030 Vision, we are committed to pursuing sustainable growth by balancing investments for future growth with shareholder returns.

Executive Officer
Head of Global Corporate Planning
and Management, CFO

Koji Ogawa

A Look Back Over the Past Year

It has been a year since I assumed the role of CFO in April 2023. Reflecting on this past year, I find the following three points particularly significant. First, the decision to establish a strategic alliance with Merck & Co., Inc. in the United States. This alliance has enabled us to deliver our products to more patients, more quickly, while also enhancing our internal capacity, resources, and capabilities. The second significant point is that we updated the expectation on numerical targets (KPIs) for FY2025 under our current 5-year business plan (FY2021-FY2025) and simultaneously decided to acquire our own shares. Over the past year, I have had the opportunity to engage in dialogue with many investors and shareholders. Based on these engagements, I believe we have successfully balanced future-oriented growth investments with enhanced shareholder returns. The final point is the preparation for the launch of our global organizational structure. Aiming to become a true business partner, we initiated a new global organizational structure with standardized processes in April 2024. With this structure, we believe we can now execute swift and accurate decision-making and optimal resource allocation on a global scale, under the leadership of the CFO. Moving forward, I am committed to continuing to provide leadership toward realizing our 2030 Vision of becoming 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 at achieving its FY2025 target of becoming an innovative global healthcare company with a competitive advantage in oncology and shift to further growth to achieve our 2030 Vision. Specifically, by implementing the four strategic pillars and strengthening the foundation that supports these strategies, we aim to achieve our KPI targets of ¥1.6 trillion in revenue (¥600 billion 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.

Three 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. I will provide an update on the progress of “Maximizing 3ADCs” and “profit growth for current business and products.”

Regarding the most important of the four strategic pillars, “Maximizing 3ADCs,” our global product, the anticancer agent Enhertu®, has been growing steadily across countries and regions, exceeding our initial expectations.

In the United States, we have secured market leadership across all indications obtained, particularly in breast cancer. While market share has grown to a significantly high level, Enhertu represents a major shift from traditional standard treatments, and some physicians remain cautious about switching from established therapies. Currently, we are strengthening information provision to such physicians while aiming to further expand our market share. In Europe, market share is steadily growing in major markets like Germany and France, and market penetration is progressing smoothly in Italy, where the product was newly launched in 2023. In Japan as well, prescriptions are steadily increasing, particularly for breast and gastric cancers, securing top market share across all obtained indications. Furthermore, in the ASCA (Asia, South & Central America) regions, prescriptions have grown significantly, especially in Brazil and China.

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. Additionally, sales of the pain treatment 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 for investments in sustainable growth and shareholder returns. Furthermore, the profits from the steadily growing 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. It is expected that their profits will account for approximately half of the consolidated core operating profit in FY2024.

*1 Excluding temporary income and expenses (gains/losses related to sales of fixed assets etc.) from operating income
*2 Dividend on Equity = Total dividend amount / Equity attributable to owners of the company

Expectation on achieving FY2025 KPIs
(As of Apr. 2024)

	At the time of planning 5YBP	As of Apr. 2024
Revenue	1.6 Tr JPY	**2.1 Tr JPY**
Revenue in Oncology	600 Bn JPY	**1,000 Bn JPY**
Core Operating Profit ratio*1 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**

CFO Message

Expectation on FY2025 KPI achievement (as of April 2024)

Based on the steady progress over the three years since the start of the current 5-year business plan, we anticipate that FY2025 revenue will reach ¥2.1 trillion, exceeding our target of ¥1.6 trillion by ¥500 billion, driven by increased revenue projections in the oncology field.

In FY2025, we anticipate that revenue from the oncology field will exceed ¥1 trillion within the consolidated revenue. However, the revenue forecast for Dato-DXd in FY2025 has been revised downward due to a reevaluation of the target patient population based on clinical trial results and adjustments to the timeline. On the other hand, for Enhertu, we anticipate further revenue growth in the breast cancer market based on clinical trial results. Additionally, due to the revenue impact from the upfront payment received upon entering into the strategic alliance with Merck in the U.S. for HER3-DXd, I-DXd, and DS-6000, we expect oncology revenue for FY2025 to exceed ¥1 trillion, surpassing the target of ¥600 billion by ¥400 billion.

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, as the potential of our R&D pipeline continues to expand smoothly, we will actively invest in research and development for sustained growth. We aim to maintain a ROE of 16% or more. Additionally, we anticipate that our DOE will exceed our target of 8% and reach 8.5% or more, due to improved capital efficiency and enhanced shareholder returns.

Three years have passed since the start of the current 5-year business plan, we strongly feel that the profit expansion phase moving beyond the investment phase is now approaching.

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 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.

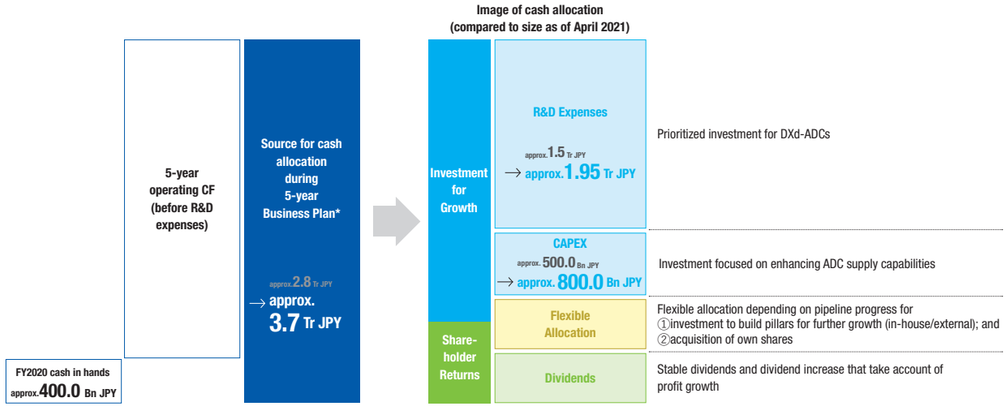
The cash allocation for the current 5-year business plan period, comprising the initial cash on hand at the start of the current 5-year business plan and the operating cash flow before R&D expenses over the five years, is expected to increase by approximately ¥900 billion to around ¥3.7 trillion compared to the initial forecast, due to the receipt of upfront payments from the strategic alliance with 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.

For R&D expenses prioritized for the development of DXd ADCs, we plan to increase the allocation by ¥450 billion compared to the initial forecast of the current 5-year business plan, totaling approximately ¥1.95 trillion over the five years. Of this, the R&D expenses for FY2024 and FY2025 are expected to be around ¥1 trillion, due to the initiation of new trials for products such as Enhertu. Compared to the initial forecast, for HER3-DXd, I-DXd, and DS-6000, we will accelerate development to maximize product value through strategic alliance with Merck in the U.S., which will speed up expansion trials and the initiation of new trials. On the other hand, due to the impact of development cost sharing from the strategic alliance, the projected R&D expenses for these three products have decreased compared to one year ago. The resources secured through development cost sharing will be actively invested in initiatives for sustainable growth, progressing towards building new pillars of growth following the 5DXd ADCs. Additionally, we anticipate an increase in R&D expenses due to expanded medical affairs activities (new evidence creation and delivery) along with such as expanding evidence creation and information dissemination related to the expansion of indications for Enhertu, and the launch of Dato-DXd and HER3-DXd. We will also further strengthen our R&D infrastructure including expanding our development staff to accelerate and expand the development of 5DXd ADCs and other products.

Regarding capital expenditures, we plan to increase the allocation by ¥300 billion compared to the initial forecast of the current 5-year business plan, totaling approximately ¥800 billion 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. We will address the growing demand for DXd ADCs resulting from the steady growth of the Enhertu business, advancements in the development of Enhertu and Dato-DXd, and the strategic alliance and development progress with Merck in the U.S. for HER3-DXd, I-DXd, and DS-6000. Going forward, we will continue to invest in both our own production facilities and external contract manufacturing organizations in a balanced manner. For DXd ADCs production facilities, we will invest not only in our plants in Japan but also in utilizing our facilities in the U.S. and Germany as DXd ADCs production sites.

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.

Well-balanced investment for growth and shareholder returns
Cash allocation



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 our key indicator.

Regarding ROE, we aim to achieve a rate in the high 11% range for the FY2024 and 16% or more for the 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, 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. With the expansion of Enhertu sales, the likelihood of achieving the key numerical targets for FY2025 has increased, so we plan to continue increasing dividends in FY2024, as we did in FY2022 and FY2023. Additionally, to enhance shareholder returns and improve capital efficiency, we have decided and are implementing own shares acquisition program with a total purchase amount of ¥200 billion and a maximum of 55 million shares.

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

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

Commitment as CFO towards maximizing shareholder value

In the year since my appointment as CFO, I have engaged in discussions with many shareholders and investors about our Group's sustainable growth through advancements in the oncology business and our innovative development pipeline. Through these dialogues, I aim to enhance our company's valuation in the stock market. Our company aims to manage in a way that contributes to the increase in Total Shareholder Return (TSR), which is the sum of dividends and capital gains divided by the investment amount. As of the end of July 2024, our market capitalization exceeds ¥11 trillion, and the PBR (Price-to-Book Ratio) is over 6 times, indicating that our company's value is highly appreciated by the stock market. Moving forward, we will continue to strive for maximizing corporate value through active dialogue with shareholders, investors, and all stakeholders.

Risk Management

Major Risks and Corresponding Responses

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. 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.

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

Areas	Material Risks	Risk Summary	Status of Risk Management
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. 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) in partnership with AstraZeneca, as well as Patritumab Deruxtecan (HER3-DXd/U3-1402), Ivnatamab Deruxtecan (I-DXd/DS-7300), and DS-6000 (R-DXd) in partnership with Merck.	Establish a Joint Committee with 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; Ensure distribution of manufacturing and logistics bases, and install private electricity generators; Strengthen IT foundations, such as by ensuring redundancy in core systems
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) 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	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	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
Environment & 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.	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
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 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.	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.	Revise wholesale prices and rebates in light of NHI drug price system reforms and distribution improvement guidelines; Draw up and implement appropriate sales contracts; Monitor drug price policies in each country
Legal Risk	○	There is always legal risk the Group is cognizant of, including the serious risk associated with illegal conduct by executives and employees.	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.	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.	Under the leadership of the CDXO, promoting measures related to information management and security, and establishing policies and rules; 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; 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.	Strengthening planned recruitment activities and fostering and securing 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

Initiatives for Information Management and Security

Our Group has established a global information security policy to ensure the stable supply of products and the provision of reliable information to our customers. Under the leadership of the Head of Global Information Security, we are implementing information security measures on a global scale. Additionally, the Chief Digital Transformation Officer (CDXO), the chief officer in the digital domain with information management functions, supervises digital transformation for the entire organization and oversees the conduct of its operations.

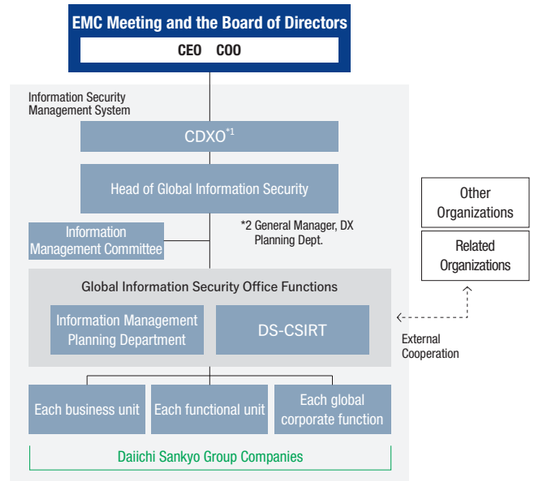
Our information and system assets referred to in the information security policy include information on our business units, as well as our business partners and customers, and data, media, information systems, and industrial systems that include the information. We have standardized information management measures among Group companies in Japan and are continuously assessing them to ensure thorough information management. In information security, we have established the Daiichi Sankyo Group Information Security Standard to enhance the level of security measures globally. We assess compliance with these standards and implement continuous improvements based on the results. Furthermore, since FY2023, we have transferred the information security function to the digital transformation management department, “Global DX”, to further strengthen information security across the entire group. To protect information resources from security threats, raising awareness among all employees is crucial. As part of our information security awareness activities tailored to the specific circumstances of each company, we educate employees about cyber-attacks and targeted e-mails, etc. on an ongoing basis.

Moreover, under the leadership of the Head of Global Information Security, we operate a Computer Security Incident Response Team (CSIRT)*2, which conducts 24-hour security monitoring with the support of external security partners. To effectively counter cyberattacks, collaboration with other organizations is essential. We work closely with external expert organizations and other CSIRTs to gather information and develop and promote security measures. By building such cooperative relationships, we contribute not only to the security within our Group but also to the overall enhancement of security in society.

Furthermore, to address the risk of cyberattacks on control devices and systems involved in the pharmaceutical manufacturing process, we are actively promoting Operational Technology (OT) security measures. Specifically, we are advancing security measures by designing a standard model that organizes recommended security technologies, as well as processes for evaluating and managing OT security risks. With these measures, we minimize risks related to quality control and stable supply, thereby contributing to the provision of pharmaceuticals to patients.

*1 Abbreviation for Chief Digital Transformation Officer

*2 A framework for dealing with incidents relating to computer security in enterprises



Strengthening the Management System for Safety and Quality Assurance

To deliver safe and high-quality products that patients can use with confidence, we have established and strengthened a management system that complies with Good Manufacturing Practice (GMP) for pharmaceutical manufacturing and quality control, as well as Good Distribution Practice (GDP) for ensuring the quality of pharmaceuticals during transportation and storage. This comprehensive quality assurance approach covers the entire process, from the procurement and storage of raw materials to pharmaceutical manufacturing and distribution. In addition, we conduct regular audits of our group company sites and business partners to ensure the maintenance and enhancement of an appropriate quality management system, as well as to reduce risks.

Regarding safety, we have established a system that enables us to conduct safety monitoring activities on a global scale. We promote activities aimed at minimizing risks on patient safety by evaluating, reviewing, and analyzing safety information (such as side effect information) collected from around the world and promptly providing the results to healthcare professionals. Additionally, we conduct annual training on safety information for all employees, striving to foster a strong awareness of Patient Safety.