April 27, 2023

Consolidated Financial Results for Year Ended March 31, 2023 (Fiscal 2022) <under IFRS>

Listed company name: Daiichi Sankyo Company, Limited
Listed exchange: the Tokyo Stock Exchange
Stock code number: 4568
URL: https://www.daiichisankyo.com
Representative: Mr. Hiroyuki Okuzawa, Representative Director, President and COO
Contact: Mr. Kentaro Asakura, Vice President of Corporate Communications Department
Telephone: +81-3-6225-1125

Scheduled date of Ordinary General Meeting of Shareholders: June 19, 2023
Scheduled date of dividend payments: From June 20, 2023
Scheduled date of Annual Securities Report filing: June 19, 2023
Preparing supplementary material (Reference Data) on financial results: Yes
Holding information meeting: Yes (for institutional investors, analysts and the press)

(All amounts have been rounded down to the nearest million yen.)

1. Consolidated Financial Results for Year Ended March 31, 2023

(1) Consolidated Financial Results

(Percentages indicate changes from the previous fiscal year.)

	Revenue		Core-Operating Profit		Operating Profit		Profit before tax	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended March 31, 2023	1,278,478	22.4	122,610	35.3	120,580	65.1	126,854	72.6
Year ended March 31, 2022	1,044,892	8.6	90,605	14.9	73,025	14.5	73,516	(0.8)

	Profit for the year		Profit attributable to owners of the Company		Total comprehensive income		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Year ended March 31, 2023	109,188	63.0	109,188	63.0	149,038	14.4	56.96
Year ended March 31, 2022	66,972	(11.7)	66,972	(11.8)	130,292	13.3	34.94

	Diluted earnings per share	Return on equity attributable to owners of the Company	Ratio of profit before tax to total assets	Ratio of operating profit to revenue
	Yen	%	%	%
Year ended March 31, 2023	56.91	7.8	5.4	9.4
Year ended March 31, 2022	34.91	5.1	3.4	7.0

Reference: Share of profit or loss of investments accounted for using the equity method:

Year ended March 31, 2023: (19) million yen
Year ended March 31, 2022: 129 million yen

Note: Daiichi Sankyo discloses core operating profit, which excludes non-recurring gains and losses from operating profit, as an indicator of underlying profitability. For the definition of core operating profit, please refer to "1. Results of Operations (1) Operating Results for Year ended March 31, 2023 1 Overview)" on page 2 of the attached material.

(2) Consolidated Financial Position

	Total assets	Total equity	Equity attributable to owners of the Company	Ratio of equity attributable to owners of the Company to total assets	Equity per share attributable to owners of the Company
	Millions of yen	Millions of yen	Millions of yen	%	Yen
As of March 31, 2023	2,508,889	1,445,854	1,445,854	57.6	754.09
As of March 31, 2022	2,221,402	1,350,872	1,350,872	60.8	704.76

(3) Consolidated Cash Flows

	Net cash flows from operating activities	Net cash flows from investing activities	Net cash flows from financing activities	Cash and cash equivalents at the end of year
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Year ended March 31, 2023	114,514	(257,782)	(89,594)	441,921
Year ended March 31, 2022	139,226	212,339	(86,231)	662,477

2. Dividend

	Annual dividend per share					Total dividend (Total)	Dividend payout ratio (Consolidated)	Ratio of dividend to equity attributable to owners of the Company (Consolidated)
	First quarter	Second quarter	Third quarter	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Year ended March 31, 2022	–	13.50	–	13.50	27.00	51,752	77.3	3.9
Year ended March 31, 2023	–	15.00	–	15.00	30.00	57,515	52.7	4.1
Year ending March 31, 2024 (Forecast)	–	17.00	–	17.00	34.00		56.7	

3. Forecast of Consolidated Financial Results for Year Ending March 31, 2024

(Percentages indicate changes from the same period in the previous fiscal year.)

	Revenue		Core operating profit		Operating profit		Profit before tax		Profit for the year		Profit attributable to owners of the Company		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	1,450,000	13.4	140,000	14.2	135,000	12.0	135,000	6.4	115,000	5.3	115,000	5.3	59.98

*Notes

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in a change in scope of consolidation): Yes

Excluded from consolidation: One company Daiichi Sankyo Pharmaceutical (Beijing) Co. Ltd.

Note: Please see "4 Consolidated Financial Statements with Primary Notes, (5) Notes to Consolidated Financial Statements, (Changes in Significant Subsidiaries during the year *ended March 31, 2023*)" on page 36

(2) Changes in accounting policies and changes in accounting estimates

1) Changes in accounting policies required by IFRS: No
2) Changes in accounting policies due to other reasons: No
3) Changes in accounting estimates: No

(3) Number of ordinary shares issued

1) Number of shares issued at the end of the period (including treasury shares)

As of March 31, 2023	1,947,034,029 shares
As of March 31, 2022	1,947,034,029 shares

2) Number of treasury shares at the end of the period

As of March 31, 2023	29,690,154 shares
As of March 31, 2022	30,247,523 shares

3) Average number of shares during the period

Year ended March 31, 2023	1,917,034,606 shares
Year ended March 31, 2022	1,916,602,512 shares

(Reference)

Non-Consolidated Financial Results for Year Ended March 31, 2023

(1) Non-Consolidated Financial Results

(Percentages indicate changes from the previous fiscal year.)

	Net sales		Operating income (loss)		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended March 31, 2023	858,974	13.9	(37,088)	(465.1)	91,615	92.1	104,247	165.4
Year ended March 31, 2022	754,007	7.6	10,157	(74.4)	47,688	(43.6)	39,273	(51.5)

	Basic net income per share	Diluted net income per share
	Yen	Yen
As of March 31, 2023	54.38	54.34
Year ended March 31, 2022	20.49	20.47

(2) Non-Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of March 31, 2023	1,865,707	977,560	52.4	509.53
As of March 31, 2022	1,638,011	930,266	56.7	484.90

Reference: Equity:

As of March 31, 2023: 976,951 million yen
As of March 31, 2022: 929,444 million yen

* This financial results report is not subject to audit procedures by Certified Public Accountants or audit firm

*Disclaimer regarding forward-looking information including appropriate use of forecast financial results

The forecast information included in these materials is based on information currently available and certain assumptions that the Company regards as reasonable. Actual performance and results may differ from those forecast due to various factors.

Please see *"1. Results of Operations (3) Future Outlook"* on page 12 for matters related to the above forecasts.

Attached Material

Index

1. Results of Operations

(1) Operating Results for Year ended March 31, 2023

1) Overview

[Consolidated Financial Results (Core Base)]

(Millions of yen; all amounts have been rounded down to the nearest million yen.)

	Year ended March 31, 2022	Year ended March 31, 2023	YoY change
Revenue	1,044,892	1,278,478	233,586 22.4%
Cost of sales*	348,036	349,069	1,033 0.3%
Selling, general and administrative expenses*	352,125	470,081	117,956 33.5%
Research and development expenses*	254,124	336,716	82,591 32.5%
Core operating profit*	90,605	122,610	32,004 35.3%
Temporary income*	3,912	21,897	17,984 459.7%
Temporary expenses*	21,492	23,926	2,434 11.3%
Operating profit	73,025	120,580	47,555 65.1%
Profit before tax	73,516	126,854	53,338 72.6%
Profit attributable to owners of the Company	66,972	109,188	42,215 63.0%
Total comprehensive income	130,292	149,038	18,745 14.4%

* Daiichi Sankyo Group (hereinafter, "the Group") discloses core operating profit, which excludes temporary income and expenses from operating profit, as an indicator of ordinary profitability. Temporary income and expenses include gains/losses on sale of non-current assets, gains/losses associated with business restructuring (excluding gains/losses on sales of developed products and products on the market), impairment losses on property, plant and equipment, intangible assets, and goodwill, compensation for damages or settlement, and non-recurring and large gains/losses.

This table shows the actual results of cost of sales, selling, general and administrative expenses, and research and development expenses, exclusive of temporary income and expenses. The adjustment table from operating profit to core operating profit is stated in the reference data.

<Yen exchange rates for major currencies (average rate for year)>

(Yen)

	Year ended March 31, 2022	Year ended March 31, 2023
USD/Yen	112.38	135.48
EUR/Yen	130.56	140.97

a. Revenue

- Revenue in the year ended March 31, 2023 (fiscal 2022) increased by JPY233.6 billion, or 22.4% year on year, to JPY1,278.5 billion.
- Revenue increased year on year due to the achieved growth with global mainstay products such as Enhertu (generic name: trastuzumab deruxtecan, T-DXd/DS-8201) and Lixiana (generic name: edoxaban), the positive effect from foreign exchange by the depreciation of the yen and others, despite the negative effect of decrease in revenue for Nexium by the termination of co-promotion in Japan (September, 2021).
- The positive effect on revenue from foreign exchange was JPY93.9 billion in total.

b. Core operating profit

- Core operating profit increased by JPY32.0 billion, or 35.3% year on year, to JPY122.6 billion.
- Cost of sales was JPY349.1 billion, approximately the same level as the previous fiscal year due to an improvement in cost-to-sales ratio as a result of a change in the product mix, despite an increase in revenue.
- Selling, general and administrative expenses increased by JPY118.0 billion, or 33.5%, to JPY470.1 billion due to the cost increase by an increase in profit sharing with AstraZeneca related to Enhertu.
- Research and development expenses increased by JPY82.6 billion, or 32.5%, to JPY336.7 billion, mainly due to increased R&D investment in 3ADCs (trastuzumab deruxtecan, datopotamab deruxtecan: Dato-DXd/DS-1062 and patritumab deruxtecan: HER3-DXd/U3-1402).
- The negative effect on core operating profit from foreign exchange was JPY6.5 billion in total.

c. Operating profit

- Operating profit increased by JPY47.6 billion, or 65.1% year on year, to JPY120.6 billion.
- The amount of increase compared to that of core operating profit was higher due to an increase in temporary income as a result of recording of gain on the sale of Kyushu Branch Building and gain on the transfer of Daiichi Sankyo Pharmaceutical (Beijing) Co., Ltd., and others.

d. Profit before tax

- Profit before tax increased by JPY53.3 billion, or 72.6% year on year, to JPY126.9 billion.
- The amount of increase compared to that of operating profit was higher mainly due to increase of interest income.

e. Profit attributable to owners of the Company

- Profit attributable to owners of the Company increased by JPY42.2 billion, or 63.0% year on year, to JPY109.2 billion.

f. Total comprehensive income

- Total comprehensive income increased by JPY18.7 billion, or 14.4% year on year, to JPY149.0 billion.
- The amount of increase compared to that of profit attributable to owners of the Company was lower due to the lower increase of the currency translation difference related to net assets of overseas subsidiaries compared to the fiscal 2021.

[Revenue by Business Unit]

Revenue by business unit in the fiscal 2022 is as follows. In addition, revenue by product is stated in the reference data.

a. Japan Business Unit

- Revenue from Japan Business Unit includes revenue generated by the innovative pharmaceuticals business, the vaccine business and revenue from products generated by the generic pharmaceutical business of Daiichi Sankyo Espha Co., Ltd.
- Revenue from the Unit decreased by JPY31.6 billion, or 6.4% year on year, to JPY457.9 billion due to the termination of co-promotion of Nexium, the impact of NHI drug price revision, etc., despite growth in sales of Lixiana, Tarlige and others.

The following describes the major progress in the fiscal 2022.

- In April 2022, the migraine prevention drug Emgality was specified as a drug for at-home self-injection.
- In June 2022, the migraine treatment drug Reyvow was launched.
- In November 2022, the application was approved for the second line treatment for HER2-positive breast cancer for Enhertu and the promotion began.
- In December 2022, the antitumor agent Ezharmia was launched.
- In March 2023, the application was approved for HER2 low breast cancer (post-chemotherapy) for Enhertu and the promotion began.

b. Daiichi Sankyo Healthcare Unit

- Revenue from Daiichi Sankyo Healthcare Unit increased by JPY5.6 billion, or 8.7% year on year, to JPY70.3 billion as a result of the increase in sales of Lulu, Loxonin and others.

c. Oncology Business Unit

- Revenue from Oncology Business Unit includes revenue generated from cancer treatment products sold by Daiichi Sankyo, Inc. (the U.S.) and Daiichi Sankyo Europe GmbH.
- Revenue from the Unit increased by JPY115.8 billion, or 166.4% year on year, to JPY185.4 billion due to increase of Enhertu in the U.S. and Europe. Revenue in local currency increased by USD749 million, or 121.0%, to USD1,369 million.

The following describes the major progress in the fiscal 2022.

- In May 2022, the application was approved in the U.S. for the second line treatment for HER2-positive breast cancer for Enhertu and the promotion began.
- In July 2022, the application was approved in Europe for the second line treatment for HER2-positive breast cancer for Enhertu and the promotion began.

- In August 2022, the application was approved in the U.S. for HER2 low breast cancer (post-chemotherapy) for Enhertu and the promotion began.
- In August 2022, the application was approved in the U.S. for the second line treatment for HER2 mutant non-small cell lung cancer (NSCLC) for Enhertu and the promotion began.
- In December 2022, the application was approved in Europe for the second line treatment for HER2-positive gastric cancer for Enhertu and the promotion began.
- In January 2023, the application was approved in Europe for HER2 low breast cancer (post-chemotherapy) for Enhertu and the promotion began.

d. American Regent Unit

- Revenue from American Regent Unit increased by JPY37.9 billion, or 25.4% year on year, to JPY187.4 billion due to an increase in sales of Venofer and others. Revenue in local currency increased by USD53 million, or 4.0%, to USD1,383 million.

e. EU Specialty Business Unit

- Revenue from EU Specialty Business Unit includes revenue from products other than from cancer treatment products generated by Daiichi Sankyo Europe GmbH.
- Revenue from the Unit increased by JPY22.2 billion, or 17.3% year on year, to JPY150.4 billion due to steady growth in sales of Lixiana. Revenue in local currency increased by EUR85 million, or 8.6%, to EUR1,067 million.

f. ASCA Business Unit

- Revenue from ASCA[*1] Business Unit includes sales to overseas licensees.
- Revenue from the Unit increased by JPY28.6 billion, or 25.1% year on year, to JPY142.8 billion due to increase of Enhertu in Brazil and olmesartan in China, and others.

[*1] Asia, South & Central America

2) Status of R&D

The Group is working on research and development including active collaboration with the outside in accordance with the "3 and Alpha" Strategy, which intensively allocates resources to 3ADCs[*1] for maximizing their product values, and aims to deliver medicines that change SOC[*2] for realization of sustainable growth (Alpha). In addition, the Group focuses on accelerating global clinical development.

In the medium to long term, the Group aims to develop therapeutic drugs for various diseases in addition to oncology by utilizing its competitive science and technology, and strives to strengthen drug discovering capabilities by technology research of new modalities[*3].

[*1] Antibody Drug Conjugate: Drug composed of an antibody drug and a payload (a small molecule drug) linked via appropriate linker. By using a monoclonal antibody that binds to a specific target expressed on cancer cells, a cytotoxic payload is delivered to cancer cells effectively with reducing systemic exposure.

[*2] Standard of Care: Universally applied best treatment practice in today's medical science.

[*3] New medical treatment such as ADC, nucleic acid drugs, viruses for treatment, and cell therapy.

【3ADCs】

The following describes the Group's clinical development of 3ADCs projects in the fiscal 2022. The status of each clinical trial is stated in the reference data.

a. Trastuzumab deruxtecan (T-DXd/DS-8201: HER2-directed ADC, brand name: **Enhertu**)

The product is marketed under the brand name Enhertu. Daiichi Sankyo is jointly developing Enhertu with AstraZeneca, a company with a wealth of global experience in oncology.

The following describes the major progress in the fiscal 2022.

- In April 2022, the application for approval was accepted in the U.S. for the second line treatment for HER2 mutant, non-small cell lung cancer (NSCLC).
- In April 2022, Breakthrough Therapy Designation[*4] was obtained from the U.S. Food and Drug Administration (FDA) for HER2 low breast cancer (post-chemotherapy).
- In May 2022, the application was approved in the U.S. for the second line treatment for HER2-positive breast cancer.
- In June 2022, the latest data was presented at the American Society of Clinical Oncology (ASCO) from the Phase III clinical trial for HER2 low breast cancer (post-chemotherapy) (trial name: DESTINY-Breast04).
- In June 2022, the applications for approval were accepted in Japan and Europe for HER2 low breast cancer (post-chemotherapy).
- In June 2022, the Committee for Medicinal Products for Human Use (CHMP) of the European Medicines Agency (EMA) recommended approval for the second line treatment for HER2-positive breast cancer.
- In July 2022, the application was approved in Europe for the second line treatment for HER2-positive breast cancer.
- In July 2022, the application for approval was accepted in the U.S. for HER2 low breast cancer (post-chemotherapy), and in August 2022, the application for this indication was approved in the U.S.
- In August 2022, the application was approved in the U.S. for the second line treatment for HER2 mutant NSCLC.
- In August 2022, the primary endpoint of the Phase III clinical trial for the third line treatment for HER2-positive breast cancer (trial name: DESTINY-Breast02) was achieved.
- In August 2022, the application for approval was accepted in China for HER2 low breast cancer (post-chemotherapy).
- In August 2022, a Phase II clinical trial for the second or later line treatment for HER2 mutant NSCLC (trial name: DESTINY-Lung05) was initiated in China.
- In September 2022, data was presented at the European Society for Medical Oncology Congress 2022 (ESMO Congress 2022) from the Phase II clinical trials for NSCLC (trial names: DESTINY-Lung01 and DESTINY-Lung02).
- In September 2022, Orphan Drug Designation[*5] was obtained from Japan's Ministry of Health, Labour and Welfare (MHLW) for the treatment of HER2-positive unresectable advanced or recurrent NSCLC.
- In November 2022, the CHMP of the EMA recommended approval for the second line treatment for HER2-positive gastric cancer.
- In November 2022, the application was approved in Japan for the second line treatment for HER2-positive breast cancer.
- In December 2022, the latest data was presented from the Phase III clinical trial for the second line treatment (trial name: DESTINY-Breast03) and the first data was presented from the Phase III clinical

trial for the third line treatment (trial name: DESTINY-Breast02) for HER2-positive breast cancer at the San Antonio Breast Cancer Symposium (SABCS).

- In December 2022, an application was submitted for the second line treatment for HER2 mutant NSCLC in Japan.
- In December 2022, the CHMP of the EMA recommended approval for HER2 low breast cancer (post-chemotherapy).
- In December 2022, the application was approved in Europe for the second line treatment for HER2-positive gastric cancer.
- In January 2023, the application for approval was accepted in Europe for the second line treatment for HER2 mutant NSCLC.
- In January 2023, the application was approved in Europe for HER2 low breast cancer (post-chemotherapy).
- In February 2023, the application was approved in China for the second line treatment for HER2-positive breast cancer.
- In March 2023, expected target was achieved for interim analysis of a Phase II clinical trial for patients with HER2 expressing multiple solid tumors (trial name: DESTINY-PanTumor02).
- In March 2023, the application was approved in Japan for HER2 low breast cancer (post-chemotherapy).

[*4] The Breakthrough Therapy Designation is designed to expedite the development and review of medicines that may demonstrate substantial benefit over currently available treatments in order to ensure that patients with serious diseases have access to new treatments as soon as possible.

[*5] Orphan Drug Designation is granted in order to support and expedite development under the conditions that there are fewer than 50,000 patients in Japan and there is a particularly high medical need for it.

b. Datopotamab deruxtecan (Dato-DXd/DS-1062: TROP2-directed ADC)

Daiichi Sankyo is jointly developing the product with AstraZeneca, a company with a wealth of global experience in oncology.

The following describes the major progress in the fiscal 2022.

- In June 2022, a Phase III clinical trial for the first line treatment for triple negative breast cancer (TNBC) (trial name: TROPION-Breast02) was initiated.
- In July 2022, a Phase I/II clinical trial for NSCLC and TNBC (trial name: TROPION-PanTumor02) was initiated in China.
- In August 2022, the first data was presented at the World Conference on Lung Cancer (WCLC) from the Phase I-b clinical trial for combination with immune checkpoint inhibitors for NSCLC (trial name: TROPION-Lung02).
- In September 2022, a Phase II clinical trial for multiple solid tumors (trial name: TROPION-PanTumor03) was initiated.
- In December 2022, the first data was presented at the SABCS from the Phase I clinical trial for hormone receptor-positive, HER2 low or HER2-negative metastatic breast cancer (trial name: TROPION-PanTumor01).
- In December 2022, the latest data was presented at the SABCS from the Phase I clinical trial for TNBC monotherapy (trial name: TROPION-PanTumor01) and the Phase I/II clinical trial for combination therapy with immune checkpoint inhibitors (trial name: BEGONIA).
- In December 2022, a Phase III clinical trial for TNBC monotherapy and combination therapy with durvalumab following neoadjuvant therapy (trial name: TROPION-Breast03) was initiated.

- In January 2023, a Phase III clinical trial for combination with immune checkpoint inhibitors for the first line treatment for NSCLC without actionable genomic alterations, PD-L1 < 50% (trial name: TROPION-Lung07) was initiated.

c. Patritumab deruxtecan (HER3-DXd/U3-1402: HER3-directed ADC)

The following describes the major progress in the fiscal 2022.

- In June 2022, the latest data was presented at the ASCO from the Phase I/II clinical trial for breast cancer and the Phase I clinical trial for NSCLC.
- In August 2022, a Phase III clinical trial for the second line treatment for EGFR mutated NSCLC (trial name: HERTHENA-Lung02) was initiated.
- In March 2023, the latest data was presented at Japanese Society of Medical Oncology (JSMO) for a Global Phase I clinical trial targeting patients with metastatic NSCLC, and Japan and the U.S. Phase I/II clinical trials targeting patients with metastatic breast cancer with HER3 expression.

【Alpha】

The following describes the major progress in clinical development of Alpha projects in the fiscal 2022. The status of each clinical trial is stated in the reference data.

- In June 2022, the latest data was presented at the ASCO from the Phase I clinical trial of DS-6000 (CDH6-directed ADC) for ovarian cancer and renal cell carcinoma.
- In June 2022, the latest data was presented at the European Hematology Association (EHA) from the Phase III clinical trial of quizartinib (AC220: FLT3 inhibitor, brand name in Japan: Vanflyta) for the first line treatment for acute myeloid leukemia (AML) (trial name: QuANTUM-First).
- In June 2022, a Phase I clinical trial of DS-2325 (KLK5 inhibitor) for healthy adults was initiated.
- In June 2022, a Phase II clinical trial of DS-7300 (B7-H3-directed ADC) for the second line treatment for small cell lung cancer (SCLC) was initiated.
- In June 2022, a Phase I clinical trial of DS-9606 (undisclosed ADC target) for solid tumors was initiated.
- In August 2022, the application for approval was accepted in Japan and Europe for quizartinib for the first line treatment of AML.
- In September 2022, the latest data was presented at the ESMO from the Phase I/II clinical trial of DS-7300 for solid tumors.
- In September 2022, the application was approved in Japan for valemetostat (DS-3201: EZH1/2 inhibitor, brand name: EZHARMIA) for relapsed or refractory adult T-cell leukemia-lymphoma (ATLL).
- In October 2022, the application for approval was accepted in the U.S. for quizartinib for the first line treatment of AML.
- In November 2022, a Phase II clinical trial of DS-1211 (TNAP inhibitor) for patients with pseudoxanthoma elasticum (PXE) was initiated.
- In December 2022, the application was approved in Japan for axicabtagene ciloleucel (Axi-Cel: CAR T-cells targeted at CD19 antigen, brand name in Japan: Yescarta) for the second line treatment of relapsed or refractory large B-cell lymphoma[*6].
- In December 2022, Orphan Drug Designation[*7] was obtained from the FDA for DS-2325 (KLK5 inhibitor) for Netherton syndrome, and in February 2023, Fast Track Designation[*8] for the aforementioned was obtained from the FDA.
- In March 2023, the application was approved in Japan for influenza virus vaccine live intranasal (VN-0107, brand name: FluMist).

[*6] In December 2022, Daiichi Sankyo, Kite Pharma, Inc. and Gilead Sciences K.K. agreed that manufacturing and marketing authorization rights in Japan for Yescarta held by Daiichi Sankyo shall be transferred to Gilead Sciences K.K. during 2023.

[*7] A system under which designation is granted for medicines intended for the treatment, diagnosis or prevention of rare diseases or disorders that affect fewer than 200,000 patients in the U.S., and preferential treatment such as tax incentives and subsidies can be received.

[*8] System that is designed in the U.S. to accelerate the development and review of promising medicines for the treatment of severe disease with high unmet medical needs.

3) Efforts to Address the Novel Coronavirus Infection

Daiichi Sankyo is actively working to establish a vaccine manufacturing system in Japan for the novel coronavirus disease (COVID-19), which has become a significant issue facing society. Leveraging our research properties, technologies and knowledge to the maximum extent, and through partnerships with other organizations, we are proceeding with the following R&D.

DS-5670 (COVID-19 mRNA vaccine)

DS-5670 is an mRNA vaccine against COVID-19 using cationic lipids, which are a proprietary discovery. The clinical trials to evaluate the first immunization for unvaccinated healthy adults and the additional immunization for healthy adults and elderly persons who are vaccinated twice with an mRNA vaccine approved in Japan and passed at least six months after the vaccination are conducted. The clinical development of DS-5670 is being conducted through “Vaccine development project” promoted by the Japan Agency for Medical Research and Development (AMED) and “Urgent improvement project for vaccine manufacturing systems[*1]” supported by the Japanese MHLW.

[*1] The project aims to swiftly develop an actual (large-scale) production system for biologics, including vaccines, in order to ensure that the vaccines necessary for the prevention of the spread and severity of unexpected epidemics, including COVID-19, are produced as soon as possible, and that their supply is secured for the Japanese people.

The following describes the major progress in the fiscal 2022.

- In May 2022, the results from the Phase II clinical trial of original strain vaccine for unvaccinated healthy adults were obtained.
- In May 2022, with respect to the Phase I/II/III clinical trial of original strain vaccine to determine the booster effect by an additional immunization, an active-controlled non-inferiority trial to compare DS-5670 to an mRNA vaccine approved in Japan was initiated for healthy adults and elderly persons.
- In September 2022, a Phase III clinical trial of original strain vaccine for unvaccinated healthy adults was initiated.
- In November 2022, the primary endpoint of the Phase I/II/III clinical trial of original strain vaccine to evaluate the booster effect by an additional immunization was achieved.
- In November 2022, a Phase III clinical trial of original strain vaccine for unvaccinated healthy children aged from 12 to 17 was initiated.
- In January 2023, an application was submitted for approval for an additional immunization targeting healthy adults and elderly persons using the original strain vaccine.

(2) Analysis of Financial Position as of March 31, 2023

1) Assets, Liabilities and Capital Position

- Total assets as of the fiscal year-end were ¥2,508.9 billion, an increase of ¥287.5 billion from the previous fiscal year-end, mainly due to increases in other financial assets (current assets) and inventories, which were partially offset by a decrease in cash and cash equivalents .
- Total liabilities as of the fiscal year-end were ¥1,063.0 billion, an increase of ¥192.5 billion from the previous fiscal year-end, mainly due to increases in trade and other payables and other non-current liabilities, which were partially offset by a decrease in bonds and borrowings (non-current liabilities).
- Total equity as of the fiscal year-end was ¥1,445.9 billion, an increase of ¥95.0 billion from the previous fiscal year-end, mainly because of the profit for the year and increases in other components of equity, which were partially offset by dividend payments.
- The ratio of equity attributable to owners of the Company to total assets was 57.6%, a decrease of 3.2 points from the previous fiscal year-end.

2) Status of Cash Flows

Cash and cash equivalents decreased by ¥220.6 billion during the year ended March 31, 2023 to ¥441.9 billion. The cash flow status and the contributing factors are summarized as follows:

Cash Flows from Operating Activities

- Net cash inflows provided by operating activities totaled ¥114.5 billion (previous year: ¥139.2 billion inflow), mainly due to cash inflows from the sales-related milestones and regulatory milestones of Enhertu and the upfront fee of the strategic collaboration regarding datopotamab deruxtecan besides profit before tax (¥126.9 billion) and non-cash items such as depreciation and amortization (¥67.8 billion).

Cash Flows from Investing Activities

- Net cash outflows used in investing activities totaled ¥257.8 billion (previous year: 212.3 billion inflow), mainly due to payments into time deposits, acquisitions of property, plant and equipment and acquisition of subsidiaries.

Cash Flows from Financing Activities

- Net cash outflows used in financing activities totaled ¥89.6 billion (previous year: ¥86.2 billion outflow), which reflected spending on dividend payments and repayments of borrowings.

(Reference) Cash flow-related indicators

Principal Cash Flow Indicators

	Fiscal 2021	Fiscal 2022
Ratio of equity attributable to owners of the Company to total assets (%)	60.8	57.6
Ratio of equity attributable to owners of the Company to total assets (at market value) (%)	231.2	368.5
Interest-bearing debt to cash flow ratio (years)	1.26	1.18
Interest coverage ratio (times)	91.95	78.28

Ratio of equity attributable to owners of the Company to total assets: equity attributable to owners of the Company /total assets

Ratio of equity attributable to owners of the Company to total assets (at market value): total market capitalization/total assets

Interest-bearing debt to cash flow ratio: interest-bearing debt/cash flows

Interest coverage ratio: cash flows/interest paid

(Notes)

1. All indicators are calculated on a consolidated basis.
2. Total market capitalization is calculated based on the number of outstanding ordinary shares (net of treasury shares).
3. Cash flows equal the amount of net cash provided by operating activities in the consolidated statement of cash flows less the amounts of “interest paid” and “income taxes paid.” Interest paid equals the “interest paid” included in the consolidated statement of cash flows.
4. Interest-bearing debt includes all liabilities reported on the consolidated statement of financial position which are subject to interest payments.

(3) Future Outlook

Forecast of Consolidated Financial Results for Year Ending March 31, 2024 (Fiscal 2023)

(Millions of yen; all amounts have been rounded down to the nearest million yen.)

	Fiscal 2022	Fiscal 2023	Amount change	Percentage change
Revenue	1,278,478	1,450,000	171,521	13.4
Core operating profit*	122,610	140,000	17,389	14.2
Operating profit	120,580	135,000	14,419	12.0
Profit before tax	126,854	135,000	8,145	6.4
Profit for the year	109,188	115,000	5,811	5.3
Profit attributable to owners of the Company	109,188	115,000	5,811	5.3

* The Group discloses core operating profit, which excludes temporary income and expenses from operating profit, as an indicator of ordinary profitability. Temporary income and expenses include gains/losses on sale of non-current assets, gains/losses associated with business restructuring (excluding gains/losses on sales of developed products and products on the market), impairment losses on property, plant and equipment, intangible assets, and goodwill, compensation for damages or settlement, and non-recurring and large gains/losses. For the adjustment table from operating profit to core operating profit, please refer to the reference data.

- Regarding revenue, the Company is expecting a 13.4% increase in revenue year on year, to JPY1,450.0 billion by revenue increase from our mainstay products such as Enhertu, Lixiana and Tarlige although there are factors of decrease in revenue such as the NHI drug price revision in Japan.
- Core operating profit is expected to increase by 14.2% to JPY140.0 billion year on year due to the expected increase in gross profit by an increased revenue, despite the expected increase in expenses resulting from the intensive investment in the oncology business, including the increase of profit share payments to AstraZeneca due to increased sales of Enhertu and the expansion of 5DXd-ADCs[*1] development plan, etc.
- Operating profit is expected to increase by 12.0% to JPY135.0 billion year on year due to the expected recording of temporary expenses.
- Profit for the year and profit attributable to owners of the Company are expected to be JPY115.0 billion each, which is 5.3% increase year on year.
- Forecasts are based on assumption of foreign exchange rates at JPY130 against U.S. dollar and JPY140 against euro.

[*1] ①Trastuzumab deruxtecan (T-DXd/DS-8201: HER2-directed ADC, brand name: Enhertu), ②Datopotamab deruxtecan (Dato-DXd/DS-1062: TROP2-directed ADC), ③Patritumab deruxtecan (HER3-DXd/U3-1402: HER3-directed ADC), ④DS-7300 (B7-H3-directed ADC) and ⑤DS-6000 (CDH6-directed ADC)

(4) Basic Policy on Profit Distribution and Dividend for the Years Ended March 2023 and Ending March 2024

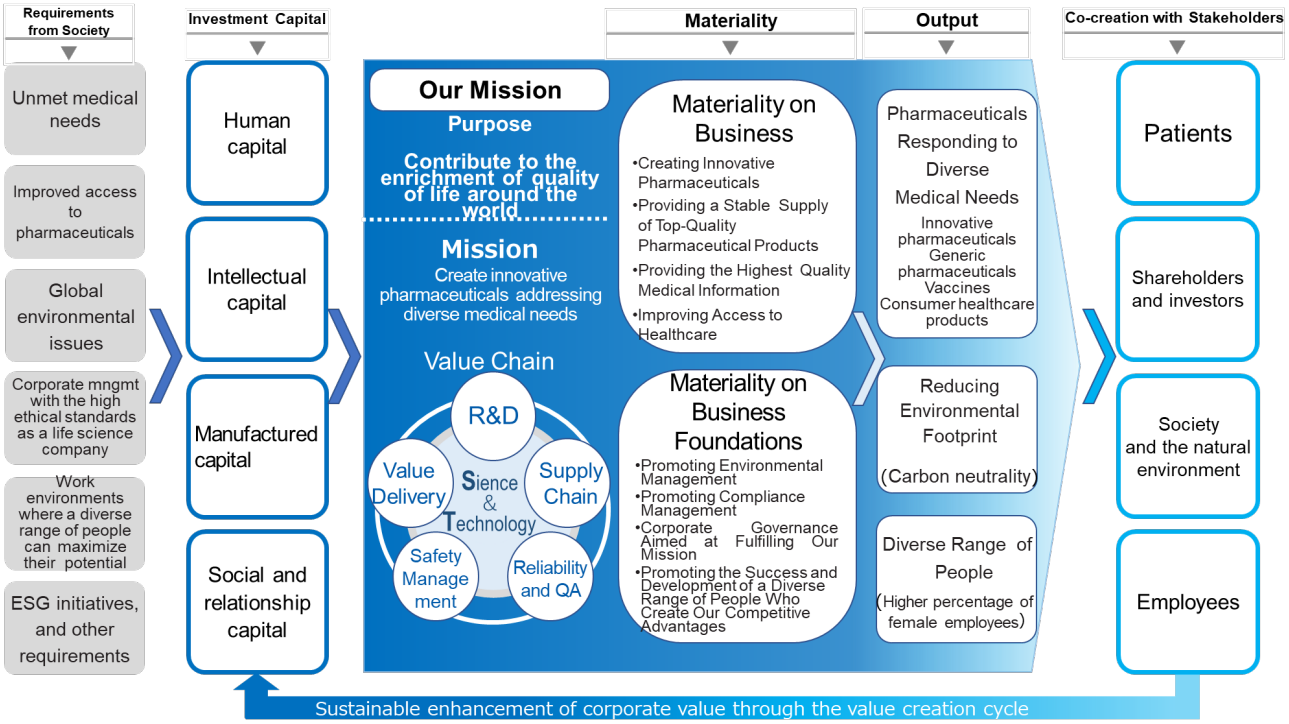
- In order to secure sustainable growth in corporate value, one of the fundamental business policies of Daiichi Sankyo is to decide profit distributions based on a comprehensive consideration of the investments essential for implementing its growth strategy and returning profits to shareholders.
- For the fiscal 2022, given a higher-than-anticipated increase in revenue for Enhertu, the most important product in the 5-Year Business Plan (fiscal 2021 to fiscal 2025), the Company has decided to move up the initially planned date of dividend increase and to raise the projected annual dividend for the fiscal 2022 from JPY27 per share to JPY30 per share. The Company paid an interim dividend of JPY15 per share on December 1, 2022. In addition, the Company intends to pay a year-end dividend of JPY15 per share.
- For the fiscal 2023, given a higher probability of achieving the major financial targets for the fiscal 2025 mainly due to increased sales of Enhertu, the Company has decided to increase the projected annual dividend for the fiscal 2023 to JPY34 per share from annual dividend for the fiscal 2022 of JPY30 per share. The Company intends to pay an interim dividend and a year-end dividend each amounting to JPY17 per share.

(5) Prospective Challenges

1) Daiichi Sankyo's Value Creation Process and ESG Management

- The Group defines ESG management as "management based on a long-term perspective that enhances both financial and non-financial value by reflecting ESG elements in business strategies," and we are implementing this management.
- To meet society's diverse requirements, we invest a variety of internal and external management resources into the value creation process and provide value to each stakeholder and society with "Science and Technology" as our greatest source of competitive advantage. By circulating the value creation process, we believe to be able to achieve both sustainable growth of the Company, and of society as a whole.
- Considering the two aspects of impact on medium- to long-term corporate value and expectations from society, including various stakeholders, we identified eight key issues as our materiality, which we have categorized as materiality on business and materiality on business foundation.

Daiichi Sankyo's Value Creation Process



2) 2030 Vision

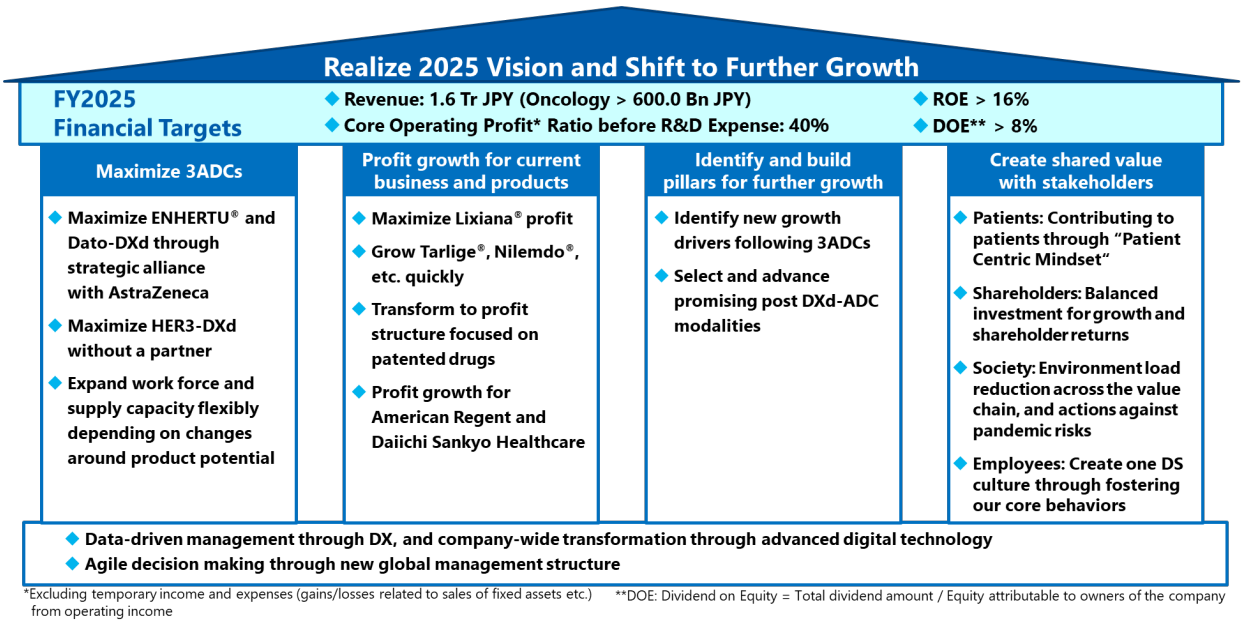
- Under ESG management, we newly established our 2030 Vision of being an "innovative global healthcare company contributing to the sustainable development of society."
- To realize our "Purpose," which is to "contribute to the enrichment of quality of life around the world," we aim to address the social issues that we are expected by society to solve through our business activities, such as the creation of innovative pharmaceuticals and efforts for achieving the SDGs. We challenge ourselves to continuously provide innovative solutions based on our strength: Science & Technology.

3) 5-Year Business Plan (Fiscal 2021 to Fiscal 2025)

- We have established 5-Year Business Plan (fiscal 2021 to fiscal 2025) and four strategic pillars as a plan to achieve our Fiscal 2025 Goal, "Global Pharma Innovator with Competitive Advantage in

Oncology" and shift to further growth toward realizing our 2030 Vision, while conducting ESG management.

Strategic Pillars for the 5-Year Business Plan (FY2021-FY2025)



【Four Strategic Pillars】

a. Maximize 3ADCs

- In the 5-Year Business Plan, maximizing 3ADCs (Enhertu, Dato-DXd and HER3-DXd) is our most important materiality.
- With regard to Enhertu, we will accelerate market penetration and acquisition of new indications through our strategic collaboration with AstraZeneca. In addition, we will establish advantage over competitive products for HER2, and will firmly establish HER2 low expression concept for the treatment of breast cancer.
- As for Dato-DXd, our target is to obtain approval and additional indications as quickly as possible through the strategic collaboration with AstraZeneca. Moreover, we will establish and implement an effective launch plan, and establish advantages over competitive products for TROP2.
- For HER3-DXd, we will launch as fast as possible through our in-house development. After having developed and implemented an effective launch plan, we will establish HER3 as a cancer treatment target.
- In addition to these efforts, we will promote appropriate use of the products through monitoring and risk analysis of interstitial lung disease (ILD), which is one notable side effect. We will also efficiently and gradually expand the workforce and supply capacity depending on changes around the product potential.
- In the fiscal 2021 and fiscal 2022, revenue from Enhertu increased at a pace exceeding initial plans given that it has steadily achieved market penetration and has furthermore acquired new indications that include the second line treatment for HER2-positive breast cancer and HER2 low breast cancer previously treated with chemotherapy. In addition, progress has also been achieved in clinical trials for further acquisition of new indications, including early treatment of breast cancer. We have made progress in clinical trials for market launch of Dato-DXd and HER3-DXd, and have accelerated development in multiple clinical trials seeking additional indications subsequent to launch. We will continue to make steady efforts to maximize 3ADCs so that effective development investment in 3ADCs will lead to dramatic growth in the second half of the 5-Year Business Plan.

b. Profit Growth for Current Business and Products

- Profit growth for current business and products in addition to the oncology business will also be an important challenge as we continue to invest for sustainable growth.
- Lixiana is a highly profitable product that generates a stable profit, so we will work to further expand revenue to use it from this product as a source of investment in 3ADCs and post-3ADC growth drivers.
- For new products such as Tarlige and Nilemdo, we aim to achieve quick growth through additional indications and so forth. Through realizing early growth for these new products, in addition to Lixiana, we aim to achieve sustainable growth in our businesses for newly patented products outside of oncology as well.
- In each country/region, we aim to transform ourselves into a business structure that supports sustainable profit growth through transformation to patented product-based profit structure.
- At American Regent, Inc., we aim to grow profits mainly through Injectafer and generic injectable products. At Daiichi Sankyo Health Care Co., Ltd., we aim to grow profits primarily through expanding Japanese domestic in-store sales and online business.
- In the fiscal 2021 and fiscal 2022, revenue from Lixiana increased steadily as a result of improvement in product value through additional usage and dosage. Moreover, Tarlige, Injectafer, Venofer, Nilemdo and other products have also encountered steady growth in each country/region. In addition, we have launched new products such as Emgality, made progress in product transfers after loss of exclusivity in each country/region, and moved forward in transforming into a patented product-based business structure. Going forward, we will continue to expand sales of highly profitable products in order to transform the business structure to one that supports sustainable profit growth.

c. Identify and Build Pillars for Further Growth

- In order to achieve sustainable growth, it is important that we identify post-3ADC growth drivers and select and advance post-DXd-ADC modalities through a multi-modality research strategy.
- We will identify post-3ADC growth drivers from fields such as the DXd-ADC family, second-generation and new-concept ADC, modified antibodies, and the ENA® family[*1].
- We will identify post-DXd-ADC modalities for sustainable growth from various modality technologies. Regarding LNP-mRNA, we will utilize it also in vaccines other than those for COVID-19 infections to drive the growth of the vaccine business.
- In the fiscal 2021 and fiscal 2022, we made progress in developing DS-7300 (B7-H3-directed ADC) and DS-6000 (CDH6-directed ADC) and encountered mounting expectations that they will become post-3ADC growth drivers. In addition, we made progress in selecting and advancing post-DXd-ADC modalities in part by embarking on clinical trials of second-generation ADC DS-9606. Going forward, we will continue to identify and build pillars of further growth using our proprietary ADC technology.

[*1] 2'-O,4'-C-Ethylene-bridged Nucleic Acids: It is a modified nucleic acid using Daiichi Sankyo's proprietary technology.

d. Create Shared Value with Stakeholders

- To promote ESG management from a long-term perspective, it is also important to create shared value with stakeholders, namely, patients, shareholders, society, the environment, and employees.

- As we expand 3ADCs to various types of cancer and target more rare diseases, we will strengthen our initiatives under a patient centric mindset and contribute to patients, not only in pharmaceutical development but across the entire value chain.
- We will implement well-balanced investment for growth, and shareholder returns to sustainably increase the value for the Company.
- For social and environmental challenges such as decarbonization society, circular economy and a society in harmony with nature, we will implement various initiatives to reduce environmental impact throughout the value chain from research and development to sales, and contribute to society and the environment.
- In addition to our stable supply in ordinary times of seasonal influenza and other vaccines from in-house manufacturing sites, we will contribute to society by establishing technologies that can be applied to vaccines for COVID-19 as well as emerging/re-emerging infectious diseases and establishing a vaccine supply system for future pandemics.
- By determining the Group's common core behaviors, which form its common core across the entire Group, we will cultivate a unique corporate culture, "One DS Culture," and further enhance the strengths of our global organization and human resources.
- In the fiscal 2021 and fiscal 2022, we made progress with respect to the DS-5670 mRNA vaccine against COVID-19 in terms of addressing pandemic risks through initiatives including application for approval pertaining to additional immunization using original strain vaccine. Meanwhile, we joined "RE100[*2]," a global initiative that aims to use 100% renewable energy for electricity consumed in business activities. We also engaged in initiatives to address environmental challenges that include shifting to renewable energy with respect to electricity consumption the Company's sites in Japan. We will continue to implement a variety of measures to strengthen the value creation process with stakeholders.

[*2] A global initiative to promote 100% corporate renewable energy, run by the Climate Group, an international environmental NGO, in partnership with CDP, which encourages companies to disclose information about their climate change initiatives.

【Platform for Supporting Strategy Execution】

- To strengthen our platform for supporting the execution of our four strategic pillars, we will implement data-driven management by advancing digital transformation and advance company transformation with cutting-edge digital technology. In addition, we will realize agile decision-making through our new global management structure.
- In the fiscal 2021and 2022, we began global operation of an analytical platform that enables integrated data analysis of Enhertu inside and outside the Company. In addition, the Oncology Business Unit was newly established to promptly respond to rapid changes in treatment systems and the market environment in the field of oncology from both business and scientific perspectives. Going forward, we will accelerate data-driven management and continue to strengthen our global structure in line with changes and expansion of our business operations.

【Shareholder Return Policy】

- In addition to maintaining the ordinary dividend of JPY27 per share, we will increase dividend that takes account of our profit growth. We will also flexibly acquire own shares and will enhance shareholder returns.
- We have adopted dividend on equity[*3] (DOE) based on shareholders' equity as a KPI in line with our policy of providing stable returns to shareholders. Going forward, we aim to maximize shareholder value, with a target for DOE of 8% or more in fiscal 2025, exceeding the cost of shareholders' equity.

- For the fiscal 2022, given a higher-than-anticipated increase in revenue for Enhertu, the most important product in the 5-Year Business Plan (fiscal 2021 to fiscal 2025), the Company has decided to move up the initially planned dividend increase and raised the projected annual dividend for the fiscal 2022 from JPY27 per share to JPY30 per share. We will strive to further enhance shareholder returns through continued efforts by increasing dividends in alignment with profit growth and/or flexible acquisition of own shares.

*3 Dividend on equity = Total dividend amount / Equity attributable to owners of the Company

(6) Strategic Targets and Forward-Looking Statements

- Strategic targets, forward-looking statements and other information disclosed in this material are all determined by the Company based on information obtained at the time of disclosure of this material with certain assumptions, premises and future forecasts, and thus, there are various inherent risks as well as uncertainties involved. As such, actual results of the Company may diverge materially from the content of this material.
- Various risks and uncertainties are included in these, such as risks regarding Enhertu/Dato-DXd clinical trials and less returns on the executed investments.

2. Matters Relating to Corporate Governance

(1) Systems and Policies on Corporate Governance

- In addition to creating a management structure that can respond speedily and flexibly to changes in the business environment, the Daiichi Sankyo is working to secure legal compliance and management transparency and to strengthen oversight of management and the conduct of operations. We place great importance on building up a corporate governance structure that is responsive to the trust of our stakeholders, especially our shareholders.

1) Corporate Governance Structure

a. To clarify Directors management responsibility and reinforce their oversight of management and the conduct of operations, their terms of office are set at one year, and four out of our nine Directors are Outside Directors. Since June 2020, an Outside director has been appointed chairman of the Board of Directors (the Board).

b. To ensure management transparency, nomination of candidates for Director and Corporate Officer, successor plan of CEO and compensation thereof are deliberated on by a Nomination Committee and a Compensation Committee, respectively, which are established as voluntary committees.

c. It is comprised by four Outside Directors and one Outside Audit & Supervisory Board Member participates as the observer in each committee.

d. For audits of legal compliance and soundness of management, the Company has adopted an Audit & Supervisory Board system and established the Audit & Supervisory Board comprising five Audit & Supervisory Board Members, including three Outside Audit & Supervisory Board Members.

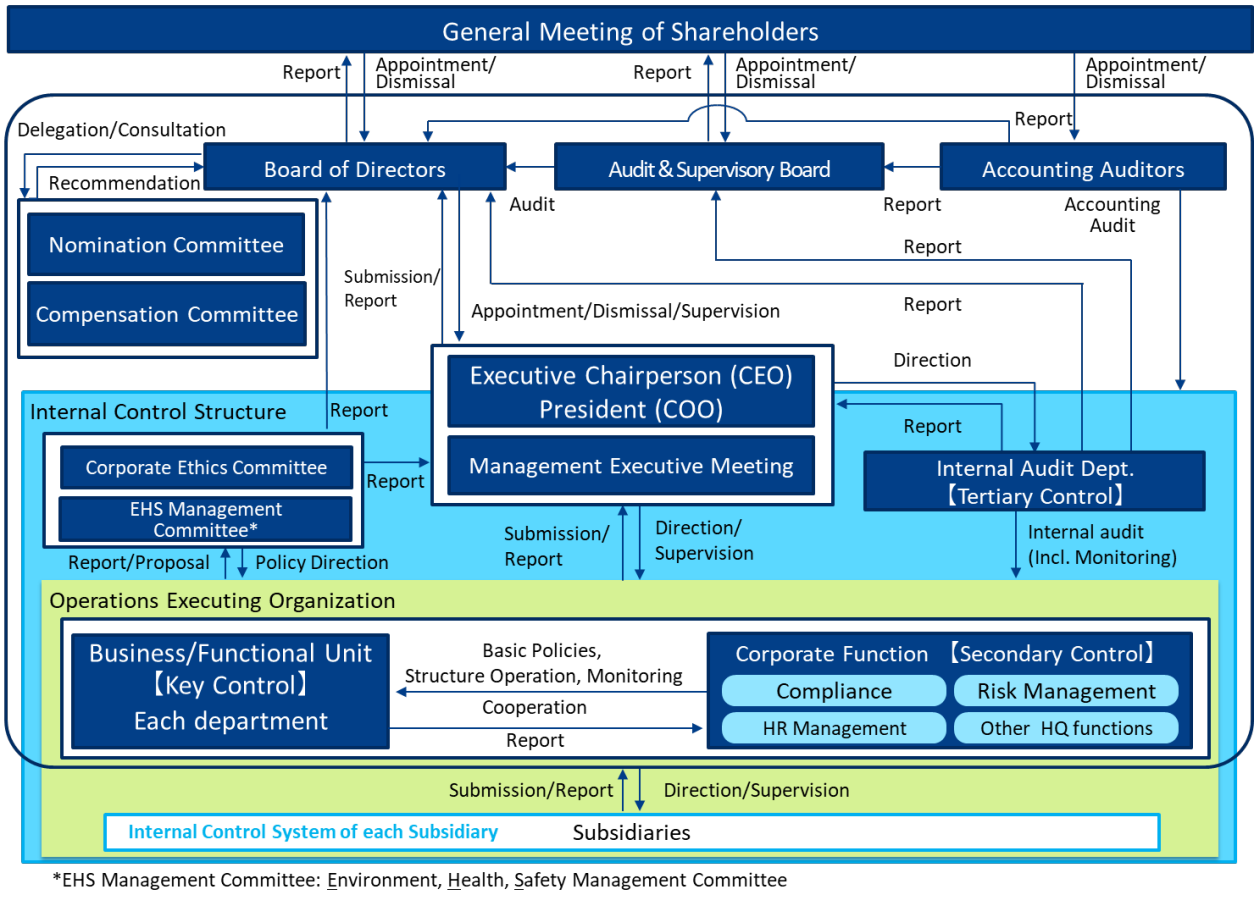
e. The Company prescribes specific criteria on the judgment of independence of Outside Directors and Outside Audit & Supervisory Board Members and basic matters regarding execution of duties by Directors and Audit & Supervisory Board Members.

f. Under the global management structure, the Management Executive Meeting with business unit heads as members is held as appropriate to deliberate on important matters related to the strategy, policy, and execution of group management, and to contribute to management decision-making.

g. The Company employs a Corporate Officer System which contributes to appropriate and swift management decision-making and the conduct of operations.

h. With the aims of ensuring effectiveness and efficiency of operations, ensuring reliability of financial reporting, complying with applicable laws and regulations relevant to business activities, and safeguarding assets, the Company structures its internal control system to consist of self-monitoring carried out by respective organizations which execute its functions (primary controls), policy development and monitoring for respective organizations carried out by the corporate organization (secondary controls), and internal auditing encompassing monitoring carried out by the Internal Audit Department (tertiary controls).

Overview of the Corporate Governance Structure



*EHS Management Committee: Environment, Health, Safety Management Committee

As of April 1, 2023

2) Policies and Procedures for Appointment/Selection of Directors, Audit & Supervisory Board Members, and CEO

- Directors shall meet the requirement of being personnel of excellent character and insight who contribute to maximizing the corporate value of the Group.
- Directors shall meet the requirements of being appropriate persons with respect to term of office and age, and of being suitably competent of performing timely and accurate judgment, looking at the changes in the business environment while giving importance to the continuance of management policies, etc.
- Directors shall meet the requirements that they are the individuals with expertise, experience, and insight in one or more of the following fields: corporate management and management strategy, finance and accounting, science and technology, business strategy and marketing, global business, human resources and HR development, legal and risk management, sustainability and ESG, and/or DX and IT.
- Directors shall meet the requirements that there shall always be Outside Directors included to strengthen the decision-making functions based on various perspectives and to strengthen the function of supervising conduct of operations.
- In principle, it is a requirement that Outside Directors have no more than three concurrent positions as officers of listed companies, excluding the Company.
- The Company recognizes that ensuring the diversity of Directors particularly in terms of gender, nationality, race, etc. as well as incorporating diverse opinions into management are important for strengthening the decision-making functions and the supervisory function of the Board. The Company will continue to discuss the selection of candidates for Directors going forward.
- When selecting the candidates for Directors, the Board shall select the candidates after they have been sufficiently deliberated by the Nomination Committee, of which Outside Directors form a majority.

- Directors should attend Board of Directors meetings and maintain an attendance rate of at least 75% or more unless there are unavoidable circumstances.
- Audit & Supervisory Board Members shall meet the requirement of whether they can fulfil their duties and ensure their independence from the representative directors, Directors, and corporate officers.
- When selecting the candidates for Audit & Supervisory Board Members, the Board shall select the candidates after they have been deliberated by the Nomination Committee, and agreed by the Audit & Supervisory Board.
- Outside Directors and Outside Audit & Supervisory Board Members shall be confirmed to have no problems according to specific criteria on the judgment of independence.
- When selecting the candidates for Directors and Audit & Supervisory Board Members, the General Meeting of Shareholders shall select them after the relevant proposal.
- Candidates for CEO shall be selected based on the successor plan and defined eligibility requirements, etc. that have been repeatedly discussed at the Nomination Committee.
- Selection of CEO and COO (including reelection) shall be determined by resolution of the Board over a recommendation from the Nomination Committee that the Committee submits after sufficient deliberation.

3) Policies and Procedures for Dismissal of Directors and CEO

- If any Director is found not meeting eligibility requirements or requirements for execution of duties defined in the Companies Act or the Directors Regulations, following deliberation at the Nomination Committee and the Board, the General Meeting of Shareholders shall deem that it meets criteria for dismissal of Directors, and resolve dismissal of such Director after the relevant proposal.
- Dismissal of CEO and COO shall be called into account in light of the Companies Act, defined CEO eligibility requirements or requirements for execution of duties, and determined in the same manner as appointment, by resolution of the Board over a recommendation from the Nomination Committee that the Committee submits after sufficient deliberation.

4) Matters concerning the Decision Policy regarding the Content of Individual Compensations of Directors

- The Company has established a policy regarding decisions of the content of individual compensations for Directors at the Board meeting held on May 13, 2021 and has revised a part of the content at the Board meeting held on May 19, 2022. The outline is as follows.

1. Compensations policy

Compensations to Directors are designed based on the following ideas.

(1) Compensation system with a compensation level that can secure and maintain excellent human resources

(2) Compensation system that motivates sustainable growth over the medium to long term and contributes to the increase of the value of the Company and shareholder value

(3) A transparent, fair and rational compensation system accountable to stakeholders

2. Level of compensations

The level of compensations to Directors is set aiming to provide the high level compensations in the industrial circle, referring to the levels of other companies learned from the surveys of external specialist institutions. Specifically, the Company will mainly compare companies within the top 100 companies by market capitalization among the companies listed on the Tokyo Stock Exchange, and also refer to the levels of major domestic pharmaceutical companies.

3. Composition of compensations

Directors (excluding Outside Directors)

It is designed to encourage management efforts from a short-term to medium-long-term perspective and appropriately to be able to reward the results by the composition of four compensations such as basic, fixed compensation, annual performance-based bonuses, which is a variable compensation serving as short-term incentive, and restricted share-based compensation and medium-term performance-based share compensation serving as long-term incentive. Retirement benefit system is not adopted.

Outside Directors

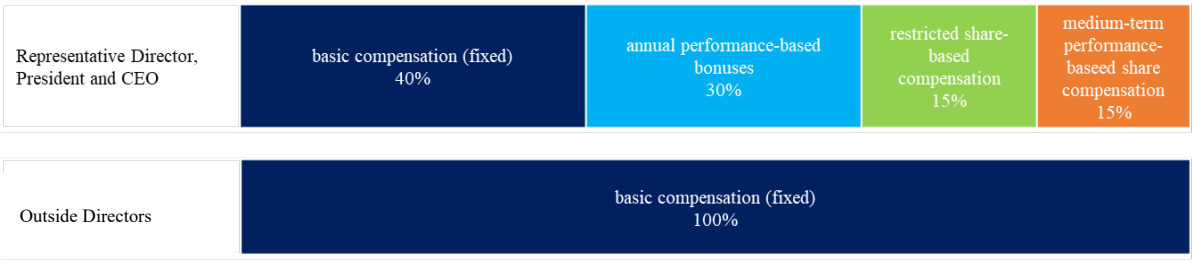
Compensation to Outside Directors who are in charge of management oversight and are not in the position to take charge of business execution is only basic, fixed compensation. Incentive bonuses and retirement benefit system are not adopted.

4. Ratio of the composition of compensations

The composition of compensations to Representative Director, President and CEO is designed to have its ratio of 40% as basic compensation, 30% as annual performance-based bonuses, 15% as restricted share-based compensation and 15% as medium-term performance-based share compensation when achieving the performance target of 100%.

The ratio of the composition of compensations of other Directors (excluding Outside Directors) will be determined in consideration of the responsibilities and the level of compensation according to the ratio of composition of compensation of Representative Director, President and CEO.

Compensation to Outside Directors is only basic, fixed compensation.



5. Basic compensation

Basic compensation to Directors shall be paid on one regular day of each month during their tenure, and the amount of individual compensation is determined according to the compensations policy and the level of compensations.

6. Annual performance-based bonuses (short-term incentive)

The amount of annual performance-based bonuses, which are short-term incentive remuneration, will be decided according to the degree of achievement of the earnings forecasts announced at the beginning of the fiscal year about profit attributable to owners of the Company, revenue and core operating profit ratio, and the evaluation of goals and tasks which each Director set at the beginning of the fiscal year.

The formula for calculating the amount of payment, and the evaluation ratio and mechanism of annual performance-based bonuses are as follows.

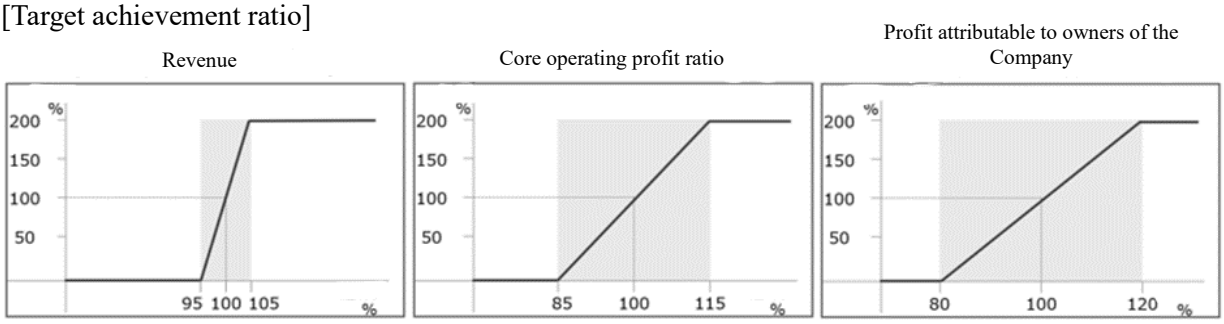
(1) Calculation formula for annual performance-based bonus

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

(2) Achievement of annual targets (evaluation ratio and mechanism)

Index for the achievement of annual targets	Evaluation ratio	Evaluation coefficient fluctuation range	Targets (set with the following as a guide)
Revenue	10%	0%-200%	Upper limit: Target ＊ 105% Target: Expected value announced at the beginning of the fiscal year Lower limit: Target ＊ 95%
Core operating profit ratio	10%	0%-200%	Upper limit: Target ＊ 115% Target: Expected value announced at the beginning of the fiscal year Lower limit: Target ＊ 85%
Profit attributable to owners of the Company	80%	0%-200%	Upper limit: Target ＊ 120% Target: Expected value announced at the beginning of the fiscal year Lower limit: Target ＊ 80%
Total	100%	0%-200%	

[Target achievement ratio]



(3) Performance evaluation

It will be converted into a coefficient and calculated according to the degree of achievement of each Director's goals and tasks set at the beginning of the fiscal year.

(i) The performance evaluation of the Chairperson and the President will be determined after deliberation at the Nomination and Compensation Joint Committee.

(ii) For other Directors, the evaluation decided by the President after deliberation at the performance meeting shall be applied. The evaluation results of Directors will be reported to the Compensation Committee.

	Index	Coefficient	Evaluation method
Chairperson / President	Company-wide tasks such as R&D progress Successor training, etc.	50%-150%	Decided after deliberation at the Nomination and Compensation Joint Committee
Other Directors	Department (individual) goals	80%-120%	Performance evaluation (President)

7. Restricted share-based compensation (Long-term incentives)

The Company grants, every year in principle, shares with transfer restriction until the time immediately after resignation or retirement of a Director. The objective of the system is to give incentives to sustainably increase the value of the Company and to promote sharing the same value between shareholders and Directors for as long as possible by having the restricted shares. The total

number of the ordinary shares of the Company to be issued or disposed of is 240 thousand shares or less per year (if a share split of the Company's ordinary shares (including a gratis allotment of the Company's ordinary shares) or a share consolidation occurs, or if there is any other reason that requires adjustment of the total number, Daiichi Sankyo will adjust the number in a reasonable range as necessary according to the split or consolidation ratio.).

When restricted share-based compensation is paid, monetary compensation receivables will be paid to Directors based on a resolution of Board of Directors of the Company, and Directors will pay all of the paid monetary compensation receivables as in-kind contribution assets of the Company's ordinary shares and will be issued them.

When delivering the Company's ordinary shares, a restricted share allotment agreement will be concluded between the Company and each Director, and Directors shall not freely transfer, set security interests or otherwise dispose of the Company's ordinary shares allotted under the allotment agreement for a certain period of time specified in the allotment agreement.

In the allotment agreement, (1) if a Director of the Company retires or resigns during the transfer restriction period, the Company shall acquire all of the restricted shares without consideration unless otherwise such the retirement or resignation is admitted by Board of Directors that it has justifiable reasons such as expiration of terms of office, death or others, and (2) if a Director retires or resigns due to expiration of term, death or other reasons deemed justified by Board of Directors during the service provision period, the Company shall rationally adjust the number of shares for which the restrictions will be released and the timing of the release as necessary and acquire the restricted shares which the restrictions will not be released free of charge, will be included.

The number of restricted share-based compensation to be delivered shall be the number of shares of the Company's ordinary shares, which is the amount of restricted share-based compensation for each position divided by the closing price of the market price of the Company's ordinary share on the day before the allotment resolution by Board of Directors.

8. Medium-term performance-based share compensation (Long-term incentives)

Medium-term performance-based share compensation, which is a long-term incentive compensation, will be a trust-type share compensation system that has the nature of performance share (performance-based share compensation) for Directors (excluding Outside Directors) and the Corporate Officers (hereinafter, "the Target Directors & Officers.") as compensation based on the achievement of the performance of the mid-term business plan in order to promote management with an emphasis on increasing shareholder value over the medium to long term.

The trust period for the fiscal year covered by the mid-term business plan (hereinafter, the "Target Period," and the initial Target Period is 5-Year Business Plan (fiscal 2021-fiscal 2025)) will be set.

The number of shares of the Company, etc. to be delivered, etc. to the Target Directors & Officers shall be determined at a certain time every year based on share delivery points calculated by multiplying the number of points accumulated over a Target Period, which are awarded according to their position, by the performance-based coefficient. The performance-based coefficient shall be determined within the range between 0% and 200% according to the degree of achievement of targets of Daiichi Sankyo's performance indicators set forth for the final fiscal year of the Target Period (For the initial Target Period, revenue, core operating profit ratio before research and development expenses, ROE, research and development progress, ESG indicators, and relative TSR set forth in Daiichi Sankyo's 5-Year Business Plan announced in fiscal 2021 have been adopted.), and one ordinary share in Daiichi Sankyo per point shall be delivered. During the trust period, if a share split of the Company's ordinary shares (including a gratis allotment of the Company's ordinary shares) or a share consolidation occurs, or if there is any other reason that requires adjustment of the number of points, Daiichi Sankyo will adjust the number of points in a reasonable range as necessary according to the split or consolidation ratio. The total number of ordinary shares, etc. of the Company to be delivered to the Target Directors & Officers during the Target Period will be limited to the number obtained by multiplying the maximum number of 0.5 million shares per fiscal year by the number of fiscal years of the Target Period (The initial Target Period is 2.5 million shares for the five fiscal years.). As a general rule, when the Target Directors & Officers receive the

Company's shares, etc., after their retirement, 50% of the shares to be delivered will be converted into money and be provided for the purpose of allocating to tax payment funds such as withholding income tax. Shares and monetary payments will be provided through the executive compensation BIP (Board Incentive Plan) trust of Mitsubishi UFJ Trust and Banking Corporation.

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

Index for the achievement of targets	Evaluation ratio	Evaluation coefficient fluctuation range	Targets (set with the following as a guide)
Revenue	20%	0%-200%	Upper limit: Target ＊ 110% Target: Expected value announced about 5-Year Business Plan Lower limit: Target ＊ 90%
Core operating profit ratio before research and development expenses	20%	0%-200%	Upper limit: Target ＊ 120% Target: Expected value announced about 5-Year Business Plan Lower limit: Target ＊ 80%
ROE	20%	0%-200%	Upper limit: Target ＊ 140% Target: Expected value announced about 5-Year Business Plan Lower limit: Target ＊ 60%
Research and development progress	15%	0%-200%	Research and development achievements (number of new indications for 3ADC on the market, pipeline value in the early and late stages)
ESG indicators	10%	0%-200%	Evaluation based on Dow Jones Sustainability Indices, FTSE Russell or Access to Medicine
Relative TSR	15%	0%-200%	Upper limit: Comparison result with TOPIX including dividend ＊ 150% Target: Comparison result with TOPIX including dividend ＊ 100% Lower limit: Comparison result with TOPIX including dividend ＊ 50%
Total	100%	0%-200%	

9. Clawback provision

Daiichi Sankyo will set forth a clawback clause that can request for the refund of part or all of the compensation received for annual performance-based bonuses and medium-term performance-based share compensation by the resolution of Board of Directors after consultation with the

Compensation Committee in the event that a material accounting error or fraud, or record of a significant impairment loss occurs.

This clause will be applied from the fiscal 2021 annual performance-based bonus and medium-term performance-based share compensation and will be applied for all periods thereafter.

10. Compensation governance and decision-making process

The Compensation Committee has been established as an advisory body to Board of Directors to ensure the appropriateness of compensation for Directors and the Corporate Officers and the transparency of the decision-making process. The Compensation Committee consists of only Outside Directors, with one Outside Audit & Supervisory Board Member participating as an observer, and the chairperson is appointed by mutual appointment of the members.

The Compensation Committee fully discusses the compensation system, the composition of the compensation, verification and review of compensation levels for each position, target setting and result confirmation of annual performance-based bonuses and medium-term performance-based share compensation, and allocation of restricted share.

The amount of compensation for each individual Director of the Company is first deliberated by the Compensation Committee, and then based on the deliberation results, each type of the compensation will be determined by a resolution of Board of Directors within the total amount of compensation resolved at the General Meeting of Shareholders.

- As stated in the above policy, the Compensation Committee has fully deliberated about verifications and reviews of the compensation system, the composition of the compensation, and compensation level for each position, set targets and results of performance-based compensation, and the allocation of the restricted share. The content of individual compensation for Directors in the current fiscal year is also decided by the Board after being first deliberated by the Compensation Committee. We judge that the content of the Company's compensation governance is in line with the above-mentioned policy regarding decisions of the content of individual compensation for Directors.

5) Decision Policy regarding the Content of Individual Compensations of Audit & Supervisory Board Members

The outline of the decision policy regarding the content of individual compensations of Audit & Supervisory Board Members is as follows.

- Compensation to Audit & Supervisory Board Members is only basic, fixed compensation in view of the role of oversight of management and no position to take charge of business execution.
- The level of basic compensations is set aiming to provide high level compensations in the industrial sector, referring to the levels of other companies learned from the surveys of external specialist institutions. Specifically, a group of companies is selected for comparison from the top 100 listed companies on the Tokyo Stock Exchange with the largest market capitalization. The Company also refers to the levels of other leading domestic pharmaceutical companies.
- The amount of the compensation for each Audit & Supervisory Board Member has been determined through the discussion and with the unanimous consent in the Audit & Supervisory Board meetings within the total amount of the compensation approved by the General Meeting of Shareholders.

(2) Basic Policy regarding Moves toward Large-Scale Acquisition of Company's Share

- The Company believes that it is the shareholders to decide whether or not to respond to any moves toward large-scale acquisition of Company share. The Company does not deny the potentially significant impact that transfers of management control may have in terms of stimulating business enterprise. In line with this thinking, the Company has not prepared any specific takeover defenses.

- Nonetheless, the Company would consider it a self-evident duty of the Company management to oppose any takeover plans whose aims were generally considered inappropriate (such as schemes to ramp up the share price) or that would otherwise be deemed detrimental to the corporate value or the mutual interests of shareholders. Accordingly, the Company will continue monitoring closely share transactions and changes in shareholders. In the event any moves toward large-scale acquisition of Company share are noticed, the Company would evaluate any takeover proposal with outside experts and determine carefully the impact of such on the corporate value and the mutual interests of shareholders. If any proposal were deemed detrimental to such interests, the Company would institute appropriate anti-takeover measures in response to individual cases.

3. Rationale for the Selection of Accounting Standards

The Group has adopted International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS") starting in the fiscal 2013. Having considered what accounting and financial reporting standards would be best to contribute to growth in corporate value through a concerted global business development program, Daiichi Sankyo made this move (1) to improve the international comparability of the Group's financial statements with global capital markets, (2) to unify the accounting treatments applied across the Group, and (3) to contribute to diversification of the Group's methods of fund procurement in global markets.

4. Consolidated Financial Statements with Primary Notes

(1) Consolidated Statement of Financial Position

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
ASSETS		
Current assets		
Cash and cash equivalents	662,477	441,921
Trade and other receivables	266,675	349,111
Other financial assets	181,368	383,205
Inventories	217,910	301,608
Other current assets	16,838	19,204
Total current assets	1,345,271	1,495,051
Non-current assets		
Property, plant and equipment	304,070	348,912
Goodwill	83,555	98,330
Intangible assets	163,884	159,609
Investments accounted for using the equity method	1,425	1,306
Other financial assets	131,509	130,393
Deferred tax assets	138,173	180,096
Other non-current assets	53,513	95,188
Total non-current assets	876,131	1,013,837
Total assets	2,221,402	2,508,889

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
LIABILITIES AND EQUITY		
Current liabilities		
Trade and other payables	324,784	424,036
Bonds and borrowings	20,394	41,396
Other financial liabilities	10,766	11,080
Income taxes payable	6,910	21,470
Provisions	6,795	7,626
Other current liabilities	25,616	24,652
Total current liabilities	395,268	530,263
Non-current liabilities		
Bonds and borrowings	143,067	101,692
Other financial liabilities	42,615	41,647
Post-employment benefit liabilities	2,624	1,310
Provisions	18,290	16,376
Deferred tax liabilities	12,444	12,647
Other non-current liabilities	256,219	359,096
Total non-current liabilities	475,262	532,770
Total liabilities	870,530	1,063,034
Equity		
Equity attributable to owners of the Company		
Share capital	50,000	50,000
Treasury shares	(37,482)	(36,808)
Other components of equity	168,147	200,874
Retained earnings	1,170,208	1,231,788
Total equity attributable to owners of the Company	1,350,872	1,445,854
Total equity	1,350,872	1,445,854
Total liabilities and equity	2,221,402	2,508,889

(2) Consolidated Statement of Profit or Loss and Consolidated Statement of Comprehensive Income

Consolidated Statement of Profit or Loss

(Millions of yen)

	Year ended March 31, 2022	Year ended March 31, 2023
Revenue	1,044,892	1,278,478
Cost of sales	353,400	363,525
Gross profit	691,491	914,952
Selling, general and administrative expenses	362,456	471,221
Research and development expenses	260,326	341,570
Other income	4,321	19,101
Other expenses	3	680
Operating profit	73,025	120,580
Financial income	6,114	14,773
Financial expenses	5,753	8,480
Share of profit (loss) of investments accounted for using the equity method	129	(19)
Profit before tax	73,516	126,854
Income taxes	6,543	17,666
Profit for the year	66,972	109,188
Profit attributable to:		
Owners of the Company	66,972	109,188
Earnings per share		
Basic earnings per share (Yen)	34.94	56.96
Diluted earnings per share (Yen)	34.91	56.91

Consolidated Statement of Comprehensive Income

(Millions of yen)

	Year ended March 31, 2022	Year ended March 31, 2023
Profit for the year	66,972	109,188
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	(4,590)	(2,798)
Remeasurements of defined benefit plans	5,831	5,932
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign operations	62,078	36,312
Cash flow hedges	–	403
Other comprehensive income for the year	63,319	39,850
Total comprehensive income for the year	130,292	149,038
Total comprehensive income attributable to:		
Owners of the Company	130,292	149,038

(3) Consolidated Statement of Changes in Equity

Year ended March 31, 2022

(Millions of yen)

	Equity attributable to owners of the Company					
				Other components of equity		
	Share capital	Capital surplus	Treasury shares	Subscription rights to shares	Exchange differences on translation of foreign operations	Financial assets measured at fair value through other comprehensive income
Balance as of April 1, 2021	50,000	94,494	(261,252)	1,038	70,024	40,416
Profit for the year	–	–	–	–	–	–
Other comprehensive income for the year	–	–	–	–	62,078	(4,590)
Total comprehensive income for the year	–	–	–	–	62,078	(4,590)
Purchase of treasury shares	–	–	(15)	–	–	–
Disposal of treasury shares	–	–	776	(216)	–	–
Cancellation of treasury share	–	(94,494)	223,009	–	–	–
Dividend		–	–	–	–	–
Transfer from other components of equity to retained earnings	–	–	–	–	–	(604)
Total transactions with owners of the Company	–	(94,494)	223,770	(216)	–	(604)
Balance as of March 31, 2022	50,000	–	(37,482)	822	132,103	35,221

(Millions of yen)

	Equity attributable to owners of the Company				
	Other components of equity				
	Remeasurements of defined benefit plans	Total other components of equity	Retained earnings	Total equity attributable to owners of the Company	Total equity
Balance as of April 1, 2021	–	111,479	1,277,332	1,272,053	1,272,053
Profit for the year	–	–	66,972	66,972	66,972
Other comprehensive income for the year	5,831	63,319	–	63,319	63,319
Total comprehensive income for the year	5,831	63,319	66,972	130,292	130,292
Purchase of treasury shares	–	–	–	(15)	(15)
Disposal of treasury shares	–	(216)	(274)	285	285
Cancellation of treasury share	–	–	(128,514)	–	–
Dividend	–	–	(51,744)	(51,744)	(51,744)
Transfer from other components of equity to retained earnings	(5,831)	(6,435)	6,435	–	–
Total transactions with owners of the Company	(5,831)	(6,652)	(174,096)	(51,473)	(51,473)
Balance as of March 31, 2022	–	168,147	1,170,208	1,350,872	1,350,872

Year ended March 31, 2023

(Millions of yen)

	Equity attributable to owners of the Company					
				Other components of equity		
	Share capital	Capital surplus	Treasury shares	Subscription rights to shares	Exchange differences on translation of foreign operations	Cash flow hedges
Balance as of April 1, 2022	50,000	–	(37,482)	822	132,103	–
Profit for the year	–	–	–	–	–	–
Other comprehensive income for the year	–	–	–	–	36,312	403
Total comprehensive income for the year	–	–	–	–	36,312	403
						–
Purchase of treasury shares	–	–	(24)	–	–	–
Disposal of treasury shares	–	–	698	(213)	–	–
Dividend		–	–	–	–	–
Transfer from other components of equity to retained earnings	–	–	–	–	–	–
Others	–	–	–	–	–	–
Total transactions with owners of the Company	–	–	674	(213)	–	–
Balance as of March 31, 2023	50,000	–	(36,808)	608	168,415	403

(Millions of yen)

	Equity attributable to owners of the Company					
	Other components of equity					
	Financial assets measured at fair value through other comprehensive income	Remeasure-ments of defined benefit plans	Total other components of equity	Retained earnings	Total equity attributable to owners of the Company	Total equity
Balance as of April 1, 2022	35,211	–	168,147	1,170,208	1,350,872	1,350,872
Profit for the year	–	–	–	109,188	109,188	109,188
Other comprehensive income for the year	(2,798)	5,932	39,850	–	39,850	39,850
Total comprehensive income for the year	(2,798)	5,932	39,850	109,188	149,038	149,038
Purchase of treasury shares	–	–	–	–	(24)	(24)
Disposal of treasury shares	–	–	(213)	(194)	290	290
Dividend	–	–	–	(54,632)	(54,632)	(54,632)
Transfer from other components of equity to retained earnings	(976)	(5,932)	(6,909)	6,909	–	–
Others	–	–	–	309	309	309
Total transactions with owners of the Company	(976)	(5,932)	(7,123)	(47,607)	(54,056)	(54,056)
Balance as of March 31, 2023	31,446	–	200,874	1,231,788	1,445,854	1,445,854

(4) Consolidated Statement of Cash Flows

(Millions of yen)

	Year ended March 31, 2022	Year ended March 31, 2023
Cash flows from operating activities		
Profit before tax	73,516	126,854
Depreciation and amortization	58,245	67,789
Impairment losses (reversal of impairment losses)	10,446	19,083
Financial income	(6,114)	(14,773)
Financial expenses	5,753	8,480
Share of (profit) loss of investments accounted for using the equity method	(129)	19
(Gain) loss on sale and disposal of non-current assets	(2,700)	(11,228)
(Increase) decrease in trade and other receivables	(19,060)	(64,584)
(Increase) decrease in inventories	(603)	(80,664)
Increase (decrease) in trade and other payables	13,290	54,135
Others, net	28,107	50,057
Subtotal	160,750	155,169
Interest and dividend received	2,836	7,674
Interest paid	(1,779)	(2,080)
Income taxes paid	(22,580)	(46,248)
Net cash flows from (used in) operating activities	139,226	114,514
Cash flows from investing activities		
Payments into time deposits	(180,675)	(481,799)
Proceeds from maturities of time deposits	316,820	332,503
Acquisition of securities	(328,952)	(322,031)
Proceeds from sale and redemption of securities	476,150	285,068
Acquisition of property, plant and equipment	(62,736)	(60,749)
Proceeds from sale of property, plant and equipment	5,260	9,941
Acquisition of intangible assets	(13,946)	(6,617)
Acquisition of subsidiaries	–	(30,812)
Proceeds from sale of subsidiaries	–	8,302
Proceeds from collection of loans receivable	379	311
Others, net	40	8,101
Net cash flows from (used in) investing activities	212,339	(257,782)

(Millions of yen)

	Year ended March 31, 2022	Year ended March 31, 2023
Cash flows from financing activities		
Repayments of bonds and borrowings	(20,391)	(20,394)
Purchase of treasury shares	(15)	(24)
Proceeds from sale of treasury shares	0	0
Dividend paid	(51,730)	(54,616)
Repayments of lease liabilities	(14,095)	(14,560)
Others, net	0	0
Net cash flows from (used in) financing activities	(86,231)	(89,594)
Net increase (decrease) in cash and cash equivalents	265,334	(232,862)
Cash and cash equivalents at the beginning of the year	380,547	662,477
Effect of exchange rate changes on cash and cash equivalents	16,595	12,306
Cash and cash equivalents at the end of the year	662,477	441,921

(5) Notes to Consolidated Financial Statements

Going Concern Assumption

Not applicable.

Changes in Significant Subsidiaries during the Period

Daiichi Sankyo Pharmaceutical (Beijing) Co., Ltd. has been excluded from the scope of consolidation since Daiichi Sankyo (China) Holdings Co., Ltd., a consolidated subsidiary of the Company, has sold all the equity interests during the second quarter ended September 30, 2022.

Changes in Presentation

Consolidated Statement of Profit or Loss

In order to appropriately present the results of the business activities resulting in gains and losses generated from transactions such as asset sales, the Group has changed its method of presentation and now presents these amounts in “Other income” and “Other expenses” from the fiscal year ending March 31, 2023.
As a result, “Cost of sales”, “Selling, general and administrative expenses” and “Research and development expenses” of 72 million yen, 4,147 million yen, and 97 million yen, respectively, in the Consolidated Statement of Profit or Loss for the ended March 31, 2022, have been reclassified as “Other income” and “Other expenses” of 4,321 million yen and 3 million yen, respectively.

Operating Segment Information

1) Reportable Segments
Disclosure is omitted as the Group has a single segment, “Pharmaceutical Operation”.

2) Information about products and services
Sales by products and services were as follows:

(Millions of yen)

	Year ended March 31, 2022		Year ended March 31, 2023		Increase / (decrease)	
	Amount	Ratio (%)	Amount	Ratio (%)	Amount	Ratio (%)
Prescription drugs	977,984	93.6	1,205,939	94.3	227,955	23.3
Healthcare (OTC) products	64,703	6.2	70,331	5.5	5,628	8.7
Others	2,204	0.2	2,207	0.2	2	0.1
Total	1,044,892	100.0	1,278,478	100.0	233,586	22.4

3) Information by geographical area

Revenue and non-current assets by geographical area were as follows:

a. Revenue

(Millions of yen)

	Japan	North America	Europe	Other regions	Consolidated
Year ended March 31, 2022	558,253	235,997	138,618	112,022	1,044,892
Year ended March 31, 2023	533,508	396,579	204,657	143,733	1,278,478

(Notes) Revenue is classified according to the geographical location of customers.

b. Non-current assets

(Millions of yen)

	Japan	North America	Europe	Other regions	Consolidated
As of March 31, 2022	294,485	179,684	67,337	10,002	551,509
As of March 31, 2023	301,766	212,166	85,337	7,581	606,852

(Notes) Non-current assets are primarily presented based on the geographical location of assets, and are comprised of property, plant and equipment, goodwill and intangible assets.

4) Information on major customers

Customers for which sales were over 10% of total revenue in the Consolidated Statement of Profit or Loss are as follows:

(Millions of yen)

Name of customer	Year ended March 31, 2022	Year ended March 31, 2023
Alfresa Holdings Corporation and its group companies	187,782	180,523

Earnings per Share

1) Basis for calculation of basic earnings per share

	Year ended March 31, 2022	Year ended March 31, 2023
a. Profit Attributable to owners of the Company		
Profit attributable to owners of the Company (Millions of yen)	66,972	109,188
Profit not attributable to owners of the Company (Millions of yen)	–	–
Profit used to calculate basic earnings per share (Millions of yen)	66,972	109,188
b. Weighted-average Number of Ordinary Shares		
Weighted-average number of ordinary shares (basic) (Thousands of shares)	1,916,602	1,917,034
c. Basic Earnings per Share		
Basic earnings per share (Yen)	34.94	56.96

2) Diluted Earnings per Share

	Year ended March 31, 2022	Year ended March 31, 2023
a. Diluted Profit Attributable to owners of the Company		
Profit used to calculate basic earnings per share (Millions of yen)	66,972	109,188
Adjustment to profit (Millions of yen)	–	–
Profit used to calculate diluted earnings per share (Millions of yen)	66,972	109,188
b. Weighted-average Number of Diluted Ordinary Shares		
Weighted-average number of ordinary shares (basic) (Thousands of shares)	1,916,602	1,917,034
Potential effect of issue of subscription rights (Thousands of shares)	1,897	1,553
Weighted-average number of ordinary shares (diluted) (Thousands of shares)	1,918,499	1,918,587
c. Diluted Earnings per Share		
Diluted earnings per share (Yen)	34.91	56.91

Subsequent Events

Not applicable.