

Financial Results and Financial Analysis

Consolidated Financial Results for FY2021

Consolidated financial results

	FY2020 results	FY2021 results	YoY	(Billions of yen)
Revenue	962.5	1,044.9	82.4	(+8.6%)
Cost of sales	337.8	348.0	10.3	
Selling, general, and administrative (SG&A) expenses	318.5	352.1	33.7	
Research and development (R&D) expenses	227.4	254.1	26.7	
Core operating profit*	78.9	90.6	11.8	(+14.9%)
Operating profit	63.8	73.0	9.2	(+14.5%)
Profit before tax	74.1	73.5	-0.6	(-0.8%)
Profit attributable to owners of the Company	76.0	67.0	-9.0	(-11.8%)

Yen exchange rates for major currencies (annual average rate)

	FY2020 results	FY2021 results	YoY
USD/JPY	106.06	112.38	+6.32
EUR/JPY	123.70	130.56	+6.86

* Starting in FY2021, the Group is disclosing 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.

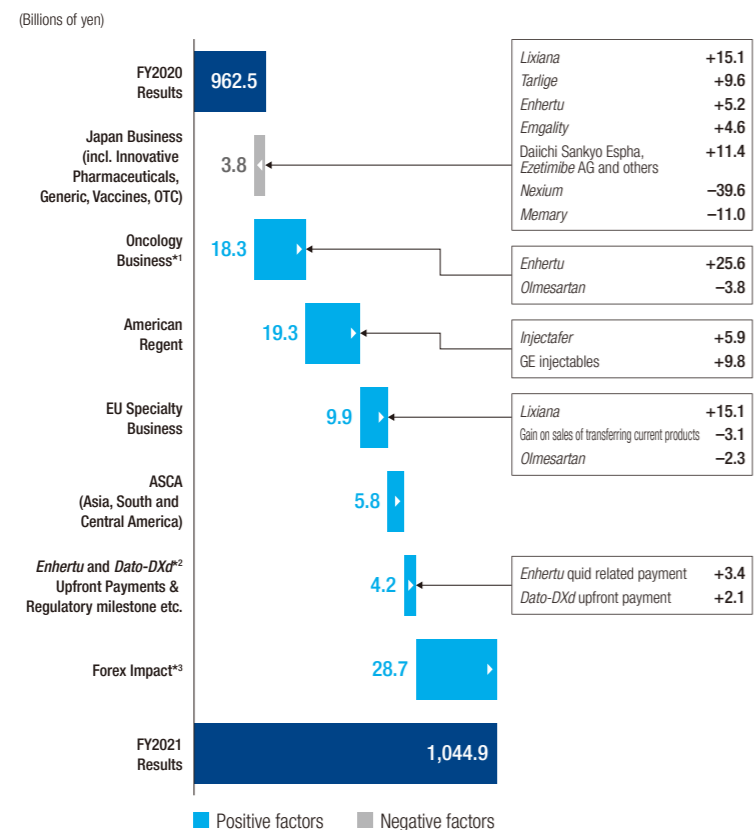
1. Revenue

Consolidated revenue in FY2021 increased by ¥82.4 billion, or 8.6% year on year, to ¥1,044.9 billion.

The foreign exchange impact placed upward pressure on revenue to the extent of ¥28.7 billion. When the impact is excluded, the increase in revenue was ¥53.7 billion.

Revenue

Increased by ¥82.4 billion (increased by ¥53.7 billion excl. forex impact)



*1 Revenue for Daiichi Sankyo, Inc. and Daiichi Sankyo Europe's oncology products

*2 Dato-DXd: Datopotamab deruxtecan (DS-1062)

*3 Forex impact USD: +12.7, EUR: +7.2, ASCA: +8.7

Although our Japan Business saw an increase in sales due to the release of *Lixiana*[®], *Tarlige*[®] and *Enhertu*[®] as well as *Emgality*[®] in April of 2020 and the contribution of Daiichi Sankyo Espha's products, we also saw decreased revenue due to the end of our cooperative sales promotion of *Nexium*[®] with AstraZeneca September 2021 and the release of a generic alternative to *Memary*[®], which ultimately resulted in an overall revenue decrease of ¥3.8 billion yen.

Regarding our Oncology Business, although the sales of *Olmесartan* decreased, the sales of *Enhertu* increased in the United States and Europe, leading to a revenue increase of ¥18.3 billion.

American Regent saw a revenue increase of ¥19.3 billion due to increased sales of *Injectafer* and generic injectables.

Regarding our EU Specialty Business, although there was a decrease in the gain on sales of transferring existing products as well as the sales of *Olmесartan*, sales of *Lixiana* increased, resulting in an overall revenue increase of ¥9.9 billion.

The amount of revenue for the year recognized for the strategic collaboration between *Enhertu* and *Dato-DXd*, including the upfront payment, amounted to a revenue increase of ¥4.2 billion yen.

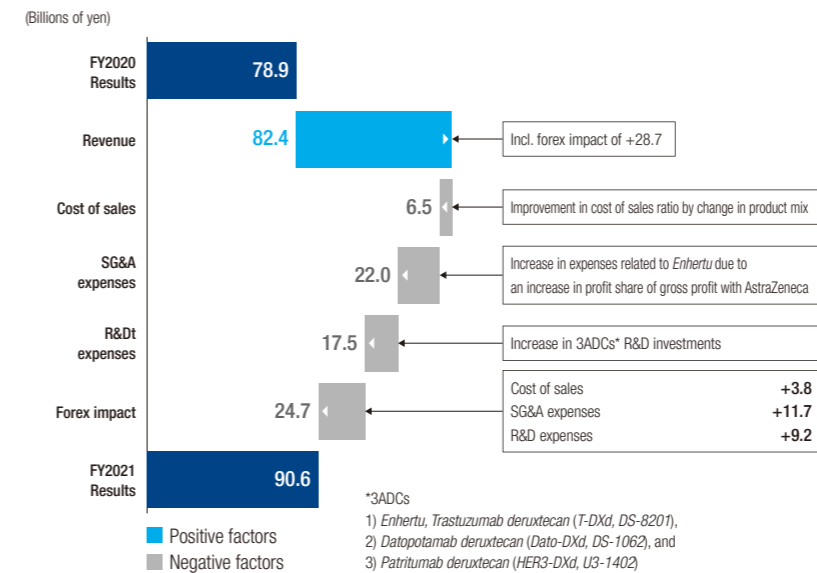
2. Core operating profit

Core operating profit in FY2021 increased by ¥11.8 billion, or 14.9% year on year, to ¥90.6 billion.

The actual increase in operating profit excluding the foreign exchange impact and special items (items having a transitory and material impact on operating profit) was ¥7.9 billion.

Core operating profit

Increased by ¥11.8 billion (increased by ¥7.9 billion excl. forex impact)



*3ADCs
1) *Enhertu*, *Trastuzumab deruxtecan (T-DXd, DS-8201)*,
2) *Datopotamab deruxtecan (Dato-DXd, DS-1062)*, and
3) *Patritumab deruxtecan (HER3-DXd, U3-1402)*

Revenue increased by ¥82.4 billion, including a revenue increase of ¥28.7 billion due to the foreign exchange impact.

Cost of sales was limited to an increase of ¥6.5 billion because we improved our cost ratio by changing our product mix, including increasing the sales of *Lixiana*, *Enhertu*, and other products developed in house.

SG&A expenses increased by ¥22.0 billion due to increased profit sharing with AstraZeneca related to *Enhertu* and other factors.

R&D expenses increased by ¥17.5 billion due to increased investment in 3ADCs research and development.

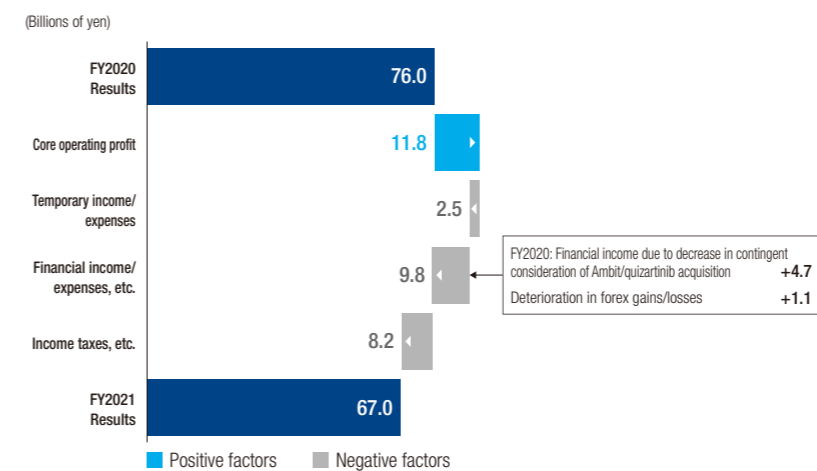
Costs increased by a total of ¥24.7 billion due to the impact of foreign exchange, and the actual increase in our core operating profit excluding this impact was ¥7.9 billion.

3. Profit attributable to owners of the Company

Profit attributable to owners of the Company decreased ¥9.0 billion, or 11.8% year on year, to ¥67.0 billion.

Profit attributable to owners of the Company

Decreased by ¥9.0 billion



	FY2020 results	FY2021 results	YoY	(Billions of yen)
Income taxes, etc.				
Profit before tax	74.1	73.5	-0.6	
Income taxes, etc.	-1.7	6.5	+8.2	
Tax rate	-2.3%	8.9%	+11.2%	

Core operating profit increased by ¥11.8 billion. Temporary income/expenses reduced our profit by ¥2.5 billion year on year. In FY2020, we recorded ¥15.6 billion as loss compensation related to the termination of the vaccine business collaboration with Sanofi. In FY2021, although we recorded temporary revenue of ¥3.9 billion due to gains related to sale of fixed assets of Osaka logistics center, we also recorded temporary costs of ¥21.5 billion due in part to the environmental expenditures related to former Yasugawa plant and losses related to closure of Plexikon, our R&D subsidiary, due to the reorganization of our R&D structure. Financial income/expenses, etc. reduced our profit by ¥9.8 billion year on year due in part to us recording ¥4.7 billion in financial income as a result of a contingent consideration reduction upon acquiring *Quizartinib* during the last fiscal year. Income taxes, etc. increased by ¥8.2 billion year on year in spite of a reduction in the tax rate due to the impact of tax credit for R&D expenses and others.

Financial Position

1. Assets, liabilities, and equity

Assets

Total assets as of the fiscal year-end were ¥2,221.4 billion, an increase of ¥136.2 billion from the previous fiscal year-end, mainly due to increases in cash and cash equivalents and property, plant and equipment, which were partially offset by a decrease in other financial assets (current assets).

Liabilities

Total liabilities as of the fiscal year-end were ¥870.5 billion, an increase of ¥57.4 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).

Equity

Total equity as of the fiscal year-end was ¥1,350.9 billion, an increase of ¥78.8 billion from the previous fiscal year-end, mainly because of the profit for the year, which was partially offset by dividend payments.

2. Cash flows

Cash and cash equivalents increased by ¥281.9 billion during the year ended March 31, 2022 to ¥662.5 billion.

Cash flows from operating activities

Cash inflows from operating activities totaled ¥139.2 billion (previous year: ¥192.2 billion inflow), besides profit before tax (¥73.5 billion) and non-cash items such as depreciation and amortization (¥58.2 billion), which mainly reflected cash inflows from the receipt of the upfront fee for the strategic collaboration regarding *Dato-DXd*.

Cash flows from investing activities

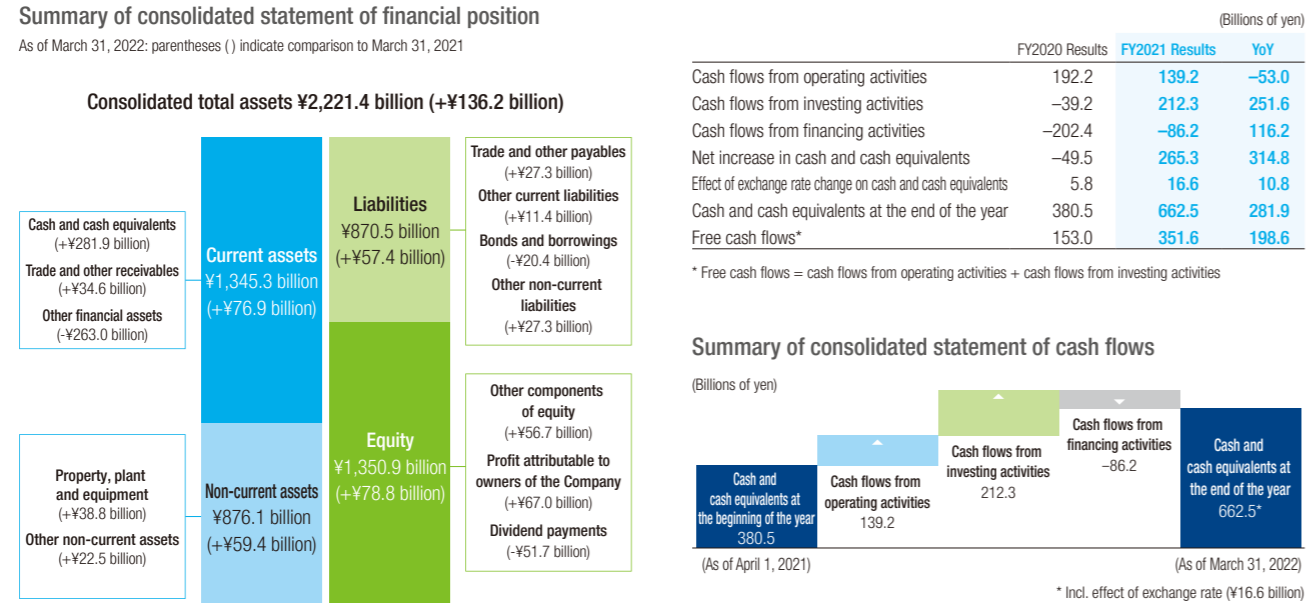
Cash inflows from investing activities totaled ¥212.3 billion (previous year: ¥39.2 billion outflow), mainly due to proceeds from maturities of time deposits, which were partially offset by acquisitions of property, plant and equipment and intangible assets.

Cash flows from financing activities

Cash outflows from financing activities totaled ¥86.2 billion (previous year: ¥202.4 billion outflow), which reflected spending on dividend payments and repayments of borrowings.

Summary of consolidated statement of financial position

As of March 31, 2022; parentheses () indicate comparison to March 31, 2021

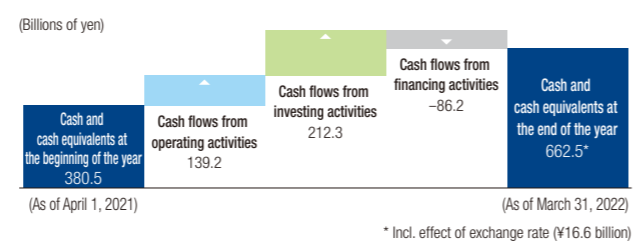


3. Capital expenditure

We continuously invest in plants and equipment, aiming to enhance and streamline production facilities as well as strengthen and facilitate research and development. The investment amount for FY2021 was ¥56.2 billion.

	FY2020 results	FY2021 results	YoY
Capital expenditure	40.1	56.2	16.1
Depreciation (property, plant and equipment)	31.3	33.2	1.9

Summary of consolidated statement of cash flows



Forecast for FY2022

The revenue is expected to increase by ¥105.1 billion year on year to ¥1.150 trillion due to increased sales of our mainstay products, including *Enhertu*, *Lixiana*, and *Tarlige*, in spite of negative factors such as the drug price revision in Japan and the termination of the sales collaboration for *Nexium*.

Core operating profit is expected to increase by ¥14.4 billion year on year to ¥105.0 billion due to an improvement in cost-to-sales ratio as a result of a change in the product mix, an expected increase in profit sharing payments to AstraZeneca due to increased *Enhertu* sales and

the expansion of 3ADCs development plan, etc.

Operating profit is expected to be equal to our core operating profit. Profit attributable to owners of the Company is expected to increase by ¥16.0 billion year on year to ¥83.0 billion due to the fact that the normal level is assumed for FY2022 while, during the previous fiscal year, there were effects from experimental and research cost deductions, and the tax rate was lower than normal.

Forecast of consolidated financial results for FY2022

	FY2021 results	FY2022 forecast	YoY	
Revenue	1,044.9	1,150.0	105.1	(+10.1%)
Core operating profit	90.6	105.0	14.4	(+15.9%)
Operating profit	73.0	105.0	32.0	(+43.8%)
Profit before tax	73.5	105.0	31.5	(+42.8%)
Profit attributable to owners of the Company	67.0	83.0	16.0	(+23.9%)

Yen exchange rates for major currencies (annual average rate)

	FY2021 results	FY2022 forecast
USD/JPY	112.38	130.00
EUR/JPY	130.56	140.00

Shareholder Returns

In order to achieve sustainable growth in corporate value, the basic management policy determines profit distributions by comprehensively evaluating essential investments for strategic growth and profit returns to shareholders.

In line with the shareholder return policy in our current 5-year business plan, in addition to maintaining ordinary dividends of ¥27 per share, we will increase dividend according to our profit growth or flexibly purchase treasury shares to further enhance shareholder returns.

We will also adopt a dividend on equity (DOE) ratio based on shareholders' equity as a KPI to help ensure stable shareholder returns.

Our target is a DOE ratio of 8% or more in FY2025 exceeding the cost of shareholders' equity to maximize shareholder value. In FY2021, our total dividend amounted to ¥27 per share (after the share split), including interim dividends of ¥13.5 per share and year-end dividend of ¥13.5 per share.

Our DOE ratio for the year was 3.9%, and we will continue to aim for a DOE ratio of 8% or more in FY2025.

For FY2022, based on the shareholder return policy of the current 5-year business plan, we intend to pay an annual dividend of ¥27 (on a post-split basis) per share.