

Financial Results and Financial Analysis

Consolidated Financial Results for FY2022

Consolidated financial results			
	FY2021 results	FY2022 results	YoY
Revenue	1044.9	1278.5	233.6 (+22.4%)
Cost of sales*	348.0	349.1	1.0
Selling, general, and administrative (SG&A) expenses*	352.1	470.1	118.0
Research and development (R&D) expenses*	254.1	336.7	82.6
Core operating profit*	90.6	122.6	32.0 (+35.3%)
Temporary income*	3.9	21.9	18.0
Temporary expenses*	21.5	23.9	2.4
Operating profit	73.0	120.6	47.6 (+65.1%)
Profit before tax	73.5	126.9	53.3 (+72.5%)
Profit attributable to owners of the Company	67.0	109.2	42.2 (+63.0%)

* 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.

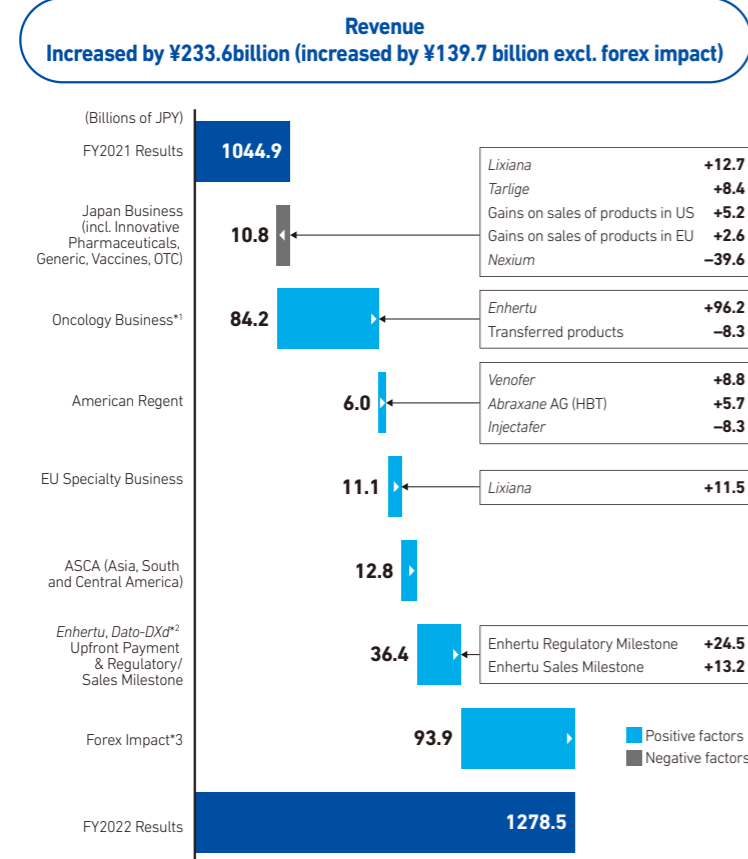
JPY exchange rates for major currencies (annual average rate)

	FY2021 results	FY2022 results	YoY
USD/JPY	112.38	135.48	+23.10
EUR/JPY	130.56	140.97	+10.41

1. Revenue

Consolidated revenue in FY2022 increased by ¥233.6billion, or 22.4 % year on year, to ¥1278.5 billion.

The foreign exchange impact placed upward pressure on revenue to the extent of ¥93.9billion. When the impact is excluded, the increase in revenue was ¥139.7 billion.



*1 Revenue for Daiichi Sankyo, Inc. and Daiichi Sankyo Europe's oncology products
 *2 Dato-DXd: Datopotamab deruxtecan (DS-1062)
 *3 Forex impact USD: +¥64.1 billion, EUR: +¥14.0 billion, ASCA: +¥15.8 billion

Although our Japan Business Unit saw an increase in the sales of *Lixiana*[®] and *Tarlige*[®] as well as the contribution of the gain on the sales of transferring products in Europe and the United States—outside the jurisdiction of the Business Unit—we also saw decreased revenue due to the end of co-promotion of *Nexium*[®] in FY2021, which ultimately resulted in a revenue decrease of ¥10.8 billion.

Regarding our Oncology Business Unit, although the sales of products transferred August 2022 decreased, the sales of *Enhertu*[®] increased in the United States and Europe, leading to a revenue increase of ¥84.2 billion.

American Regent Unit saw a revenue increase of ¥6.0 billion in spite of a revenue decrease for *Injectafer*[®] due to increased sales of *Venofer*[®] as well as the contribution of *Abraxane*[®], an authorized generic—which is handled by HBT Labs, a company that was acquired August 2022.

Regarding our EU Specialty Business Unit, sales of *Lixiana* increased, resulting in a revenue increase of ¥11.1 billion.

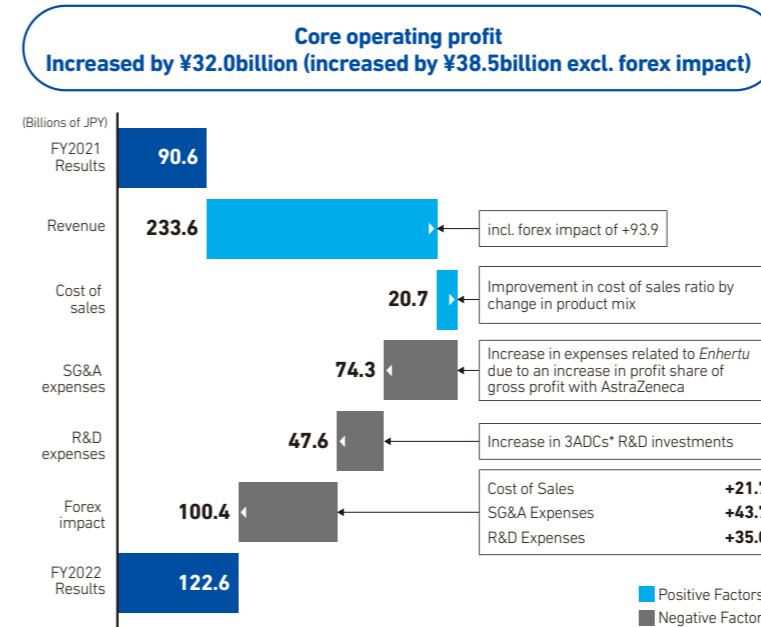
The amount of revenue for the year recognized for the strategic collaboration between *Enhertu* and *Dato-DXd*, including the upfront payment, amounted to a revenue increase of ¥36.4 billion. In terms of regulatory milestones for *Enhertu*, many new indications were added to the drug, resulting in a total revenue increase of ¥24.5 billion.

Enhertu also saw a sales milestone in that we recorded a result of US\$100 million (¥13.2 billion) due to the achievement of single-year product sales of US\$1.0 billion in regions where we engaged in co-promotion with AstraZeneca.

2. Core operating profit

Core operating profit in FY2022 increased by ¥32.0 billion, or 35.3 % year on year, to ¥122.6 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 ¥38.5 billion.



* 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 ¥233.6 billion, including a revenue increase of ¥93.9 billion due to the foreign exchange impact.

Although revenue increased, the cost of sales decreased by ¥20.7 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.

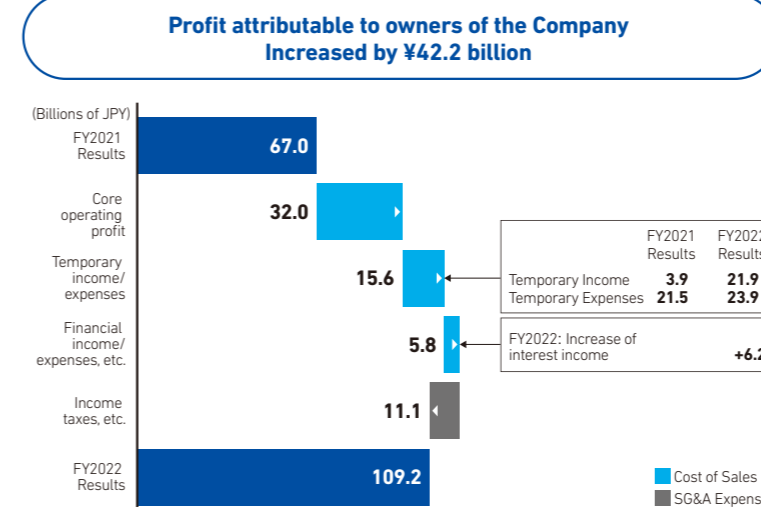
SG&A expenses increased by ¥74.3 billion due to increased profit sharing with AstraZeneca related to *Enhertu* and other factors.

R&D expenses increased by ¥47.6 billion due to increased investment in 3ADCs research and development.

Costs increased by a total of ¥100.4 billion due to the impact of foreign exchange, and the actual increase in our core operating profit excluding this impact was ¥38.5 billion.

3. Profit attributable to owners of the Company

Profit attributable to owners of the Company increased ¥42.2billion, or 63.0% year on year, to ¥109.2 billion.



Income Taxes etc.			
	FY2021 Results	FY2022 Results	YoY
Profit before Tax	73.5	126.9	+53.3
Income Taxes etc.	6.5	17.7	+11.1
Tax rate	8.9%	13.9%	+5.0%

Core operating profit increased by ¥32.0 billion, including the impact of foreign exchange.

Temporary income/expenses increased our profit by ¥15.6 billion year on year.

In terms of our temporary income, last year, we recorded ¥2.1 billion in gains related to the sale of fixed assets when we transferred Osaka logistics center to TAIYO PHARMA TECH, and, this year, we recorded ¥8.1 billion in gains related to the sale of our Kyushu Branch building, ¥5.9 billion in gains related to the transfer of Daiichi Sankyo Beijing, and ¥3.2 billion in gains on the reversal of costs related to the closure of Plexixion, etc.

In terms of our temporary costs, last year, we recorded an impairment loss of ¥10.4 billion related to Zelbolaf, etc. as well as environmental expenditures of ¥9.5 billion related to our former Yasugawa plant, and, this year, we recorded an impairment loss of ¥14.2 billion related to *TURALIO*[™] as well as an impairment loss of ¥6.3 billion related to *DS-5141*, which we stopped developing.

Financial income/expenses, etc. increased our profit by ¥5.8 billion year on year due to an increase in our interest income.

Income taxes, etc. increased by ¥11.1 billion year on year due to an increase in our profit before tax.

Financial Position

1. Assets, liabilities, and equity

● Assets

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,

● Liabilities

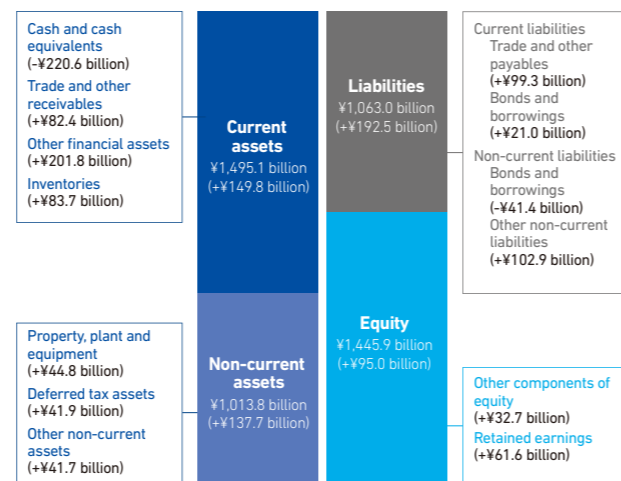
Total liabilities as of the fiscal year-end were ¥1,063.0 billion, an increase of ¥192.5 billion from the previous fiscal year-end, mainly due to increases in trade and other payables and other non-current liabilities, which were partially offset by a decrease in bonds and borrowings (non-current liabilities).

● Equity

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.

Summary of consolidated statement of financial position

As of March 31, 2023; parentheses () indicate comparison to March 31, 2022



Consolidated total assets
¥2,508.9 billion (+¥287.5 billion)

2. Cash flows

Cash and cash equivalents decreased by ¥220.6 billion during the year ended March 31, 2023 to ¥441.9 billion.

● Cash flows from operating activities

Net cash inflows from 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 from 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

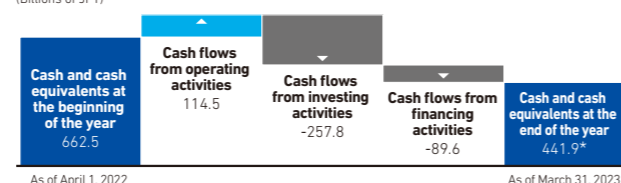
Net cash outflows from financing activities totaled ¥89.6 billion (previous year: ¥86.2 billion outflow), which reflected spending on dividend payments and repayments of borrowings.

	(Billions of JPY)		
	FY2021 Results	FY2022 Results	YoY
Cash flows from operating activities	139.2	114.5	-24.7
Cash flows from investing activities	212.3	-257.8	-470.1
Cash flows from financing activities	-86.2	-89.6	-3.4
Net increase(decrease) in cash and cash equivalents	265.3	-232.9	-498.2
Effect of exchange rate change on cash and cash equivalents	16.6	12.3	-4.3
Cash and cash equivalents at the end of the year	662.5	441.9	-220.6
Free cash flows*	351.6	-143.3	-494.9

* Free cash flows = cash flows from operating activities + cash flows from investing activities

Summary of consolidated statement of cash flows

(Billions of JPY)



As of April 1, 2022

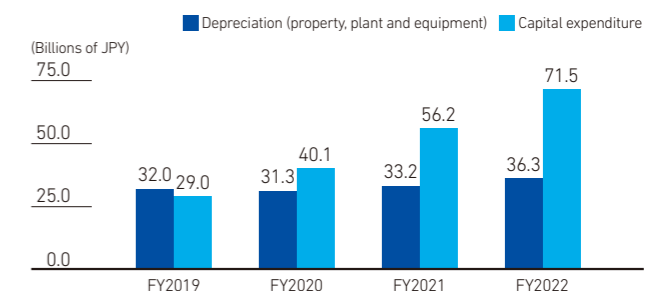
As of March 31, 2023

* Incl. effect of exchange rate (¥12.3 billion)

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 FY2022 was ¥71.5 billion.

	(Billions of JPY)		
	FY2020 results	FY2021 results	YoY
Capital expenditure (Construction Base)	56.2	71.5	15.3
Depreciation (property, plant and equipment)	33.2	36.3	3.1



Forecast for FY2023

Regarding revenue, the Company is expecting a 13.4% increase in revenue year on year, to ¥1,450.0 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 ¥140.0 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 development plan, etc.

Operating profit is expected to increase by 12.0% to ¥135.0 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 ¥115.0 billion each, which is 5.3% increase year on year.

Forecast of consolidated financial results for FY2023

	(Billions of JPY)		
	FY2022 results	FY2023 forecast	YoY
Revenue	1,278.5	1,450.0	171.5 (+13.4%)
Core operating profit	122.6	140.0	17.4 (+14.2%)
Operating profit	120.6	135.0	14.4 (+12.0%)
Profit before tax	126.9	135.0	8.1 (+6.4%)
Profit attributable to owners of the Company	109.2	115.0	5.8 (+5.3%)

JPY exchange rates for major currencies (annual average rate)

	FY2022 results	FY2023 forecast
USD/JPY	135.48	130.00
EUR/JPY	140.97	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, 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 FY2022, our total dividends amounted to ¥30 per share

(a dividend increase of ¥3), including interim dividends of ¥15 per share and year-end dividends of ¥15 per share, as a result of the sales revenue of *Enhertu*—the most important product under our current 5-year business plan—increasing more than expected, which caused us to increase the dividends sooner than initially planned.

Our DOE ratio for the year was 4.1%, and we will continue to aim for a DOE ratio of 8% or more in FY2025.

For FY2023, based on the shareholder return policy of the current 5-year business plan, we intend to pay an annual dividend of ¥34 per share due to an increased likelihood of achieving our major FY2025 financial targets as a result of increased sales of *Enhertu*, etc.