2. Core operating profit

Core operating profit in FY2022 increased by ¥32.0 billion, or 25.3 % 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.

Revenues increased by ¥33.6 billion, including a revenue increase of ¥9.9 billion due to the foreign exchange impact. Although revenue increased, the cost of sales decreased by ¥0.7 billion because we improved our cost ratio by changing our product mix, including increasing the sales of Lenvima®, Enhertu®, and other products developed in-house. SG&A expenses increased by ¥2.4 billion due to increased profit sharing with AstaZeneca related to Enhertu® and other factors. R&D expenses increased by ¥4.7 billion due to increased investment in SADCo research and development. Costs increased by a total of ¥110.4 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 by ¥42.2 billion, or 63.0 % year on year, to ¥109.2 billion. Core operating profit increased by ¥32.0 billion, including the impact of foreign exchange.

Temporary income/expenses increased our profit by ¥15.6 billion a 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 TAJYO PHARMA TCD, and this year, we recorded ¥6.1 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 Plevixa®, etc.

In terms of our temporary costs, last year, we recorded an impairment loss of ¥10.6 billion related to Zelbetal, 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-374, 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 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 ¥41.5 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.

2. Cash flows

- **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) due to increases in trade and other payables and other non-current liabilities of equity, which were partially offset by dividend payments.

- **Cash flows from investing activities**
  Net cash outflows from investing activities totaled ¥257.8 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.

- **Cash flows from financing activities**
  Net cash outflows from financing activities totaled ¥220.6 billion during the year ended March 31, 2023 to ¥441.9 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.

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, Liviana and Tarilge although there are factors of decrease in revenue such as the NPH 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 SK6d-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.

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 our major FY2025 financial targets as a result of increased sales of Enhertu, etc.