

CFO Message



As a Fiscal Year of Stepping Up toward the Next 5-year Business Plan, We are Committed to Pursuing Sustainable Growth by Balancing Investments for Future Growth with Shareholder Returns.

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A Look Back over FY2024

Looking back on fiscal year 2024, there are three things that I feel are particularly important as CFO: first, we were able to achieve a good balance between "growth investments" such as R&D investments and capital expenditures for the future, and "shareholder returns." In determining this balance, we referred to the opinions and feedback we have received from many shareholders and investors over the years.

Next, we implemented agile acquisition of own shares taking stock price levels into consideration. In order to respond nimbly to situation where we believed our company's future profitability was not sufficiently reflected in the stock price, we acquired own shares from March to April 2025.

Finally, we made progress on Project 4D (Daiichi Sankyo Data-Driven Decision Making), which aims to unify information infrastructure and business processes on a global scale. The objective is to build a robust and solid business operations foundation through data-driven management that enables rapid decision-making and highly productive business operations, in preparation for the next 5-year Business Plan. We are currently accelerating the development of our business operations framework toward the full-scale launch of Project 4D.

Moving forward, I am committed to continuing to provide leadership toward realizing our 2030 Vision of achieving an "Innovative Global Healthcare Company Contributing to the Sustainable Development of Society."

Progress and Update on the Current 5-year Business Plan (FY2021-FY2025)

The Daiichi Sankyo Group is working on its current 5-year Business Plan (FY2021-FY2025) aimed to realize our 2025 Vision "Global Pharma Innovator with Competitive Advantage in Oncology" and shift to further growth toward our 2030 Vision. Specifically, by implementing the four

strategic pillars, "Maximize 3ADCs," "Profit growth for current business and products," "Identify and build pillars for further growth," and "Create shared value with stakeholders," and strengthening the foundation that supports these strategies, we aim to achieve our KPI targets of 1.6 trillion yen in revenue (600 billion yen or more from the oncology business), a core operating profit ratio before R&D expenses*1 of 40%, Return on Equity (ROE) of 16% or more, and DOE (dividend on equity ratio)*2 of 8% or more in FY2025, which is the final fiscal year of the plan.

Four years have passed since the launch of the current 5-year Business Plan, and the four strategic pillars are progressing smoothly, increasing our confidence in achieving the FY2025 goals. In the following, I will provide an update on the progress of "Maximize 3ADCs" and "Profit growth for current business and products."

Regarding the most important of the four strategic pillars, "Maximize 3ADCs," our global product, the anti-cancer agent Enhertu®, has been growing steadily across countries and regions, exceeding our initial expectations. Global product sales for FY2024 (excluding upfront payments and milestone income) grew to 552.8 billion yen. We will continue to pursue further market penetration in existing sales regions and expand into new countries and territories, while advancing the launch of new indications to further enhance the product value of Enhertu

Additionally, Datroway®, our second DXd ADC product

following Enhertu received approval in Japan, the United States, and Europe from December 2024 onwards for breast cancer indications where Enhertu has not been approved, and we began providing patients with new treatment options. In the development of Datroway for lung cancer, we did not achieve the expected results in the initial trial to apply for regulatory approval. However, by combining data from other Datroway studies we submitted regulatory application to the FDA in November 2024 and obtained approval in June 2025. By narrowing the indication, we aimed to obtain approval for a more limited lung cancer target patient population. By applying cutting-edge AI-powered imaging diagnostics to the data from the initial trial, the likelihood to identify the types of lung cancer where Datroway treatment effects could be expected has increased and we have gained significant insights. The identification of this new imaging diagnostic technology led to optimization of development plans for lung cancer types with larger target patient populations, representing a significant achievement toward maximizing the product value of Datroway. We are currently conducting clinical trials to add multiple indications, aiming to provide treatment options to a greater number of patients.

Regarding "Profit growth for current business and products," the sales of our global product, the anticoagulant Lixiana® are progressing smoothly in Japan, Europe, and the ASCA regions, with global product sales expanding to 344.0 billion yen in FY2024. Additionally, sales of the pain treatment

Expectation on achieving FY2025 KPIs (As of Apr. 2025)

	At the time of planning 5YBP	As of Apr. 2025
Revenue	1.6 Tr JPY	2 Tr JPY
Revenue in Oncology	600 Bn JPY	900 Bn JPY
Core Operating Profit ¹ ratio before R&D expenses	40%	40%
ROE	16%	16%
DOE ²	8%	8.5%
Currency rate assumptions	1 USD=105 JPY 1 EUR=120 JPY	1 USD=145 JPY 1 EUR=155 JPY

*1 Core Operating Profit: Operating income less temporary income and expenses (gains/losses related to sales of fixed assets etc.)

*2 DOE: Dividend on Equity = Total dividend amount / Equity attributable to owners of the company

Tarlige® in Japan, the iron deficiency anemia treatment Venofer® in the U.S., and the hypercholesterolemia treatments Nilemdo®/Nustendi® in Europe have shown steady growth, significantly contributing to the creation of resources that are necessary to invest in the company's sustainable growth and shareholder return. Furthermore, the profits from American Regent, which sells iron deficiency anemia treatment drugs and generic injectables in the United States, and Daiichi Sankyo Healthcare, which sells OTC pharmaceutical products in Japan, are steadily growing. In addition, the transformation toward a business structure centered on innovative drugs is progressing smoothly through the transfer of products following the expiration of exclusive marketing periods in various countries and regions, as well as the execution of the transfer of Daiichi Sankyo Espha shares. This has steadily strengthened the profitability of the group as a whole.

Expectation on FY2025 KPI Achievement (as of April 2025)

Based on the steady progress over the four years since the start of the current 5-year Business Plan, we anticipate that FY2025 consolidated revenue will reach 2 trillion yen, exceeding our target of 1.6 trillion yen by 400 billion yen, driven by increased revenue projections in the oncology field.

In FY2025, we anticipate that revenue from the oncology field will exceed 900 billion yen, within the consolidated revenue. Compared to the projections announced in April 2024, although a decrease in sales revenue is expected due to changes in Datroways development strategy in the lung cancer area and the voluntary withdrawal of the regulatory application for HER3-DXd in the United States, oncology area sales revenue is projected to reach 900 billion yen, exceeding the target by 300 billion yen, as Enhertu sales continue to grow steadily.

With the increase in revenue, we expect higher costs of sales and selling, general, and administrative expenses. However, improvements in cost ratios due to changes in product mix and

efficient, effective expense management will enable us to continue aiming for a core operating profit margin before R&D expense of 40%. Furthermore, by achieving a balanced cash allocation between R&D investments for sustainable growth and shareholder returns, we aim to maintain a ROE of 16% or more. Additionally, we anticipate that our DOE will exceed our target of 8% or more and reach 8.5% or more, due to improved capital efficiency and enhanced shareholder returns.

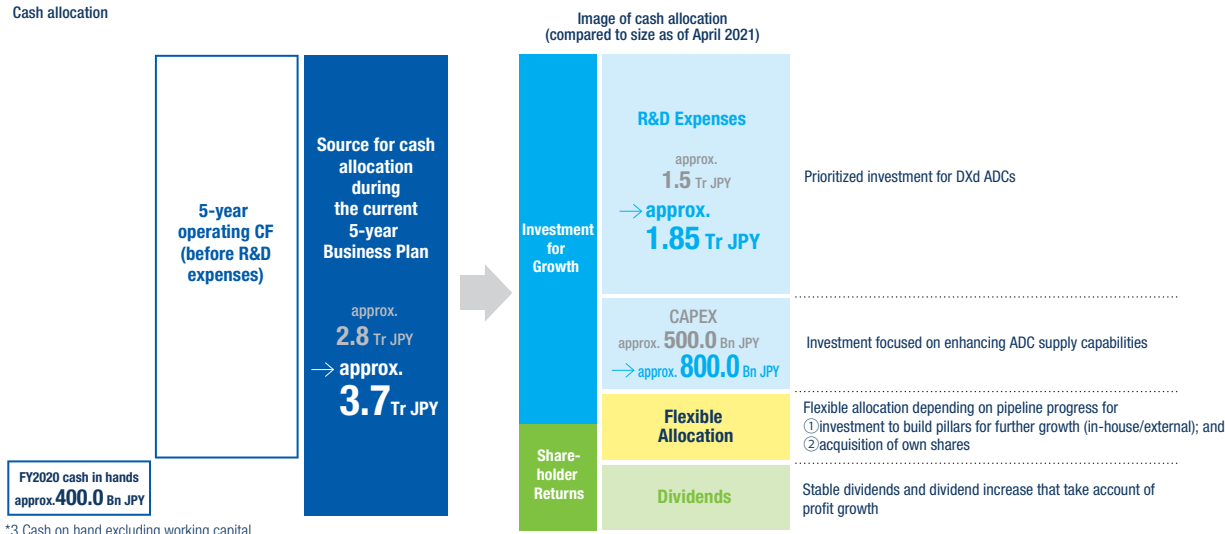
Four years have passed since the start of the current 5-year Business Plan, and we have deepened our confidence in achieving levels that exceed the targets set when the plan was formulated, giving us strong conviction as we move toward our next current 5-year Business Plan.

Well-Balanced Investment for Growth and Shareholder Returns (Cash Allocation)

During the current 5-year Business Plan period, we will

Well-balanced investment for growth and shareholder returns

Cash allocation



follow a policy of well-balanced cash allocation between investment for growth and shareholder returns. Specifically, a portion of the cash allocation will be dedicated to investment for growth (such as R&D investments and capital expenditures) and shareholder returns. The remaining portion will be flexibly allocated based on the progress of the R&D pipeline, considering a balance between further growth-oriented R&D investments and shareholder returns.

The cash allocation for the current 5-year Business Plan period, comprising the initial cash on hand at the start of the current 5-year Business Plan and the operating cash flow before R&D expenses over the five years, is expected to increase by approximately 900 billion yen to around 3.7 trillion yen compared to the initial forecast, due to the receipt of upfront payments from the strategic alliance with Merck & Co., Inc., Rahway, NJ, USA (Merck in the U.S.) The increased cash allocation will primarily be used for enhancing R&D investments, capital expenditures for future growth, and further strengthening shareholder returns.

For R&D expenses prioritized for the development of DXd ADCs, we plan to increase the allocation by 350 billion yen compared to the initial forecast of the current 5-year Business Plan, totaling approximately 1.85 trillion yen over the five years. For HER3-DXd, I-DXd, and R-DXd, development to maximize product value is progressing through our strategic partnership with Merck in the U.S., including acceleration of indication expansion trials and initiation of new studies, we continue to make aggressive investments in research and development. On the other hand, as a result of refining our development plans following progress in our strategic partnership with Merck in the U.S., the projected research and development expenses for FY2025 have decreased compared to the April 2024 estimates. Additionally, medical affairs-related expenses, which involve efforts to improve treatment quality through the creation of new evidence and information dissemination, have also decreased compared to the projected amount from one year ago due to changes in Datroways development strategy in the lung cancer area and the voluntary withdrawal of the regulatory application for HER3-DXd.

Regarding capital expenditures, we plan to increase the allocation by 300 billion yen compared to the initial forecast of the current 5-year Business Plan, totaling approximately 800 billion yen over five years. The primary purpose of this increase is to strengthen our production infrastructure, with a significant portion allocated to enhancing the production infrastructure for DXd ADCs. By executing balanced investments in our production facilities in multiple countries and regions including Japan, the United States, and Europe, as well as external contract development and manufacturing organizations (CDMOs), we will continue to meet the anticipated growing demand for DXd ADCs.

We will further strengthen shareholder returns through increased dividends in line with profit growth and flexible acquisition of our own shares. These aspects will be explained in detail in the following section.

Shareholder Return Policy

In the current 5-year Business Plan, we have adopted DOE as a KPI for shareholder returns, aiming to achieve a rate of 8% or more, which exceeds the cost of equity capital, in FY2025.

DOE is an indicator that combines ROE and the dividend payout ratio, encompassing both capital efficiency and shareholder returns, which are crucial for enhancing corporate value. As the company transitions to a profit growth phase under the current 5-year Business Plan, it is essential to consider dividends in conjunction with capital costs and capital efficiency. Therefore, we have adopted DOE as one of our key indicators.

$$\begin{aligned} \text{DOE (Dividend on Equity)} &= \text{Total Dividends} \div \text{Shareholders' Equity} \\ &= \text{ROE (Net Income} \div \text{Shareholders' Equity)} \times \\ &\quad \text{Payout Ratio (Total Dividends} \div \text{Net Income)} \end{aligned}$$

Regarding ROE, we aim to achieve a rate of 16% or more for FY2025 by expanding capital efficiency through revenue growth driven by Enhertu® and flexible acquisition of our own shares.

Regarding the equity ratio, we consider approximately 60% to be an appropriate level from both financial security and capital efficiency perspectives. Although the equity ratio has temporarily decreased due to the strategic alliance with Merck in the U.S., where a portion of the upfront payment received is recorded as deferred revenue (liability) for future sales revenue, we expect to gradually bring the equity ratio back to around 60% over the coming years as we recognize deferred revenue as sales revenue.

Regarding cross-shareholdings, we generally do not hold listed shares, except when it is deemed to contribute to maintaining or strengthening long-term business relationships and enhancing our corporate value. We are progressively selling these shares, taking into account their impact on the market and other factors.

We aim to further enhance shareholder returns through increased dividends in line with profit growth and flexible

acquisition of our own shares. In line with the steady progress of our performance centered on Enhertu we have implemented dividend increases for three consecutive years since FY2022. For FY2025, given the continued profit growth expected from further sales expansion of Enhertu®, we plan to increase the dividend by 18 yen per share to 78 yen.

Additionally, to further enhance shareholder returns and improve capital efficiency, we executed 200 billion yen of own shares acquisition between April 2024 and January 2025. Furthermore, from March to April 2025, we implemented 50 billion yen of own shares acquisition as a flexible response to the situation where we believed our company's future profitability was not sufficiently reflected in the stock price. Moreover, in April 2025, we established upper limits for acquisition of own shares for the period from May 2025 to March 2026, with an upper limit of 200 billion yen in total acquisition amount and 80 million shares, as a flexible response taking into comprehensive consideration the stock price level and other factors.

As a result of these initiatives, we expect FY2025 DOE to exceed the target of 8% or more by 0.5%, reaching 8.5% or more.

Next 5-year Business Plan: CFO Commitment toward Maximizing Corporate Value

Our current 5-year Business Plan is progressing smoothly, and we believe we have achieved balanced growth investments and shareholder returns. For our next 5-year Business Plan starting next fiscal year, we are confident that we can create an even more robust growth story through swift decision-making enabled by data-driven management and the realization of highly productive business operations. We will continue to work toward maximizing corporate value through active dialogue with shareholders, investors, and all our stakeholders.