April 27, 2020

Consolidated Financial Results for Year Ended March 31, 2020 (Fiscal 2019) <under IFRS>

Listed company name: Daiichi Sankyo Company, Limited
Listed exchange: First Section of the Tokyo Stock Exchange
Stock code number: 4568
URL: https://www.daiichisankyo.com
Representative: Dr. Sunao Manabe, Representative Director, President and CEO.
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Scheduled date of Ordinary General Meeting of Shareholders: June 15, 2020
Scheduled date of dividend payments: From June 16, 2020
Scheduled date of Annual Securities Report filing: June 15, 2020
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, 2020

(1) Consolidated Financial Results

(Percentages indicate changes from the previous fiscal year.)

	Revenue		Operating profit		Profit before tax		Profit for the year	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended March 31, 2020	981,793	5.6	138,800	65.8	141,164	64.5	128,967	38.0
Year ended March 31, 2019	929,717	-3.2	83,705	9.7	85,831	5.9	93,422	56.2

	Profit attributable to owners of the Company		Total comprehensive income		Basic earnings per share	Diluted earnings per share
	Millions of yen	%	Millions of yen	%	Yen	Yen
Year ended March 31, 2020	129,074	38.2	101,602	-38.0	199.21	198.80
Year ended March 31, 2019	93,409	55.0	163,893	164.8	144.20	143.88

	Return on equity attributable to owners of the Company	Ratio of profit before tax to total assets	Ratio of operating profit to revenue
	%	%	%
Year ended March 31, 2020	10.1	6.7	14.1
Year ended March 31, 2019	7.8	4.3	9.0

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

Year ended March 31, 2020: 327 million yen
Year ended March 31, 2019: -105 million yen

(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, 2020	2,105,619	1,306,274	1,305,809	62.0	2,014.93
As of March 31, 2019	2,088,051	1,249,705	1,249,642	59.8	1,928.80

(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, 2020	196,601	81,673	-91,637	424,184
Year ended March 31, 2019	92,033	-142,520	-66,203	243,155

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, 2019	–	35.00	–	35.00	70.00	45,348	48.5	3.8
Year ended March 31, 2020	–	35.00	–	35.00	70.00	45,360	35.1	3.5
Year ending March 31, 2021 (Forecast)	–	40.50	–	13.50	–		–	

Note: Effective Thursday, October 1, 2020, Daiichi Sankyo Company, Ltd. has resolved to implement a three-for-one share split of its ordinary shares. The dividend forecast for the fiscal year ending March 31, 2021 presents the amount prior to the share split for the end of the second quarter and the amount after the share split for the end of the fiscal year. The annual dividend per share forecast is not stated because the amounts cannot be simply combined due to the implementation of the share split. When calculated based on the assumption of no share split, the annual dividend per share is ¥81 for the year ending March 31, 2021. For further details, please refer to "1. Results of Operations (4) Basic Policy on Profit Distribution and Dividend for the Years Ended March 31, 2020 and Ending March 31, 2021" on page 16 and "4. Consolidated Financial Statements with Primary Notes, (5) Notes to Consolidated Financial Statements (Subsequent Events)" on page 42 of the attached material.

3. Forecast of Consolidated Financial Results for Year Ending March 31, 2021

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

	Revenue		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	%	Yen
Full year	970,000	-1.2	80,000	-42.4	80,000	-43.3	56,000	-56.6	56,000	-56.6	86.41

Note: It is difficult to accurately estimate the timing of convergence of new corona virus infections at the present time, the above forecasts do not reflect the impact of new corona virus infections. If global activity restrictions continue until the second quarter, the Company expects a negative impact of 3% to 5% (¥30.0 to ¥50.0 billion) on revenue due to factors such as the refraining of medical care. At the same time, the Company expects a decrease in expenses due to a decline in business activities, so the impact on operating income is expected to be negligible. The effect of prolonged impact is considered separately. We will promptly disclose any necessary revisions to our earnings forecasts in the future. Please see "1. Financial Results (3) Future Outlook" on page 16 for matters related to the above forecasts.

*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 Japan Vaccine Distribution Co., Ltd.

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

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

Note: Please see *"4. Consolidated Financial Statements with Primary Notes, (5) Notes to Consolidated Financial Statements, (Changes in Accounting Policies)"* on page 35.

(3) Number of ordinary shares issued

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

As of March 31, 2020	709,011,343 shares
As of March 31, 2019	709,011,343 shares

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

As of March 31, 2020	60,943,592 shares
As of March 31, 2019	61,124,702 shares

3) Average number of shares during the period

Year ended March 31, 2020	647,946,666 shares
Year ended March 31, 2019	647,785,171 shares

(Reference)

Non-Consolidated Financial Results for Year Ended March 31, 2020

(1) Non-Consolidated Financial Results

(Percentages indicate changes from the previous fiscal year.)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended March 31, 2020	664,909	6.4	16,087	103.9	49,738	-1.9	111,374	-16.9
Year ended March 31, 2019	625,046	-0.9	7,889	-54.1	50,724	-43.7	134,069	60.1

	Basic net income per share	Diluted net income per share
	Yen	Yen
Year ended March 31, 2020	171.89	171.54
Year ended March 31, 2019	206.97	206.51

(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, 2020	1,657,134	1,005,497	60.6	1,549.05
As of March 31, 2019	1,619,500	957,680	59.0	1,475.37

Reference: Equity:

As of March 31, 2020: 1,003,886 million yen
As of March 31, 2019: 955,875 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. Financial Results (3) Future Outlook"* on page 16 for matters related to the above forecasts.

Attached Material

Index

1. Results of Operations

(1) Operating Results for Year ended March 31, 2020

1) Overview

[Consolidated Financial Results]

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

	Year ended March 31, 2019	Year ended March 31, 2020	YoY change
Revenue	929,717	981,793	52,076 5.6%
Operating profit	83,705	138,800	55,095 65.8%
Profit before tax	85,831	141,164	55,332 64.5%
Profit attributable to owners of the Company	93,409	129,074	35,665 38.2%
Total comprehensive income	163,893	101,602	-62,290 -38.0%

<Revenue of global mainstay products>

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

Generic name	Year ended March 31, 2019	Year ended March 31, 2020	YoY change
Trastuzumab deruxtecan antitumor agent (HER2-targeting antibody drug conjugate)	79	13,958	13,879 –
Edoxaban anticoagulant	117,686	154,032	36,346 30.9%
Olmesartan antihypertensive agent	105,922	100,830	-5,092 -4.8%
Prasugrel antiplatelet agent	23,214	18,134	-5,079 -21.9%

<Selling, general and administrative expenses>

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

	Year ended March 31, 2019	Year ended March 31, 2020	YoY change
Selling, general and administrative expenses	277,695	302,320	24,625 8.9%
Ratio of Selling, general and administrative expenses to revenue	29.9%	30.8%	0.9%

<Research and development expenses>

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

	Year ended March 31, 2019	Year ended March 31, 2020	YoY change
Research and development expenses	203,711	197,465	-6,246 -3.1%
Ratio of research and development expenses to revenue	21.9%	20.1%	-1.8%

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

	Year ended March 31, 2019	Year ended March 31, 2020
USD/Yen	110.91	108.75
EUR/Yen	128.40	120.83

a. Revenue

- Revenue in the year ended March 31, 2020 (fiscal 2019) increased by ¥52.1 billion, or 5.6% year on year, to ¥981.8 billion.
- The increase of revenue is mainly due to the growth in sales of mainstay products such as *edoxaban*, and the increase of revenue related to *trastuzumab deruxtecan* (DS-8201, brand name in Japan and the U.S.: *ENHERTU*) (¥13.9 billion: the product sales in the U.S. , and the upfront payment and the development milestone received from AstraZeneca).
- The negative effect on revenue from foreign exchange was ¥15.1 billion in total.

b. Operating profit

- Operating profit increased by ¥55.1 billion, or 65.8% year on year, to ¥138.8 billion.
- Gross profit increased by ¥73.5 billion, or 13.0%, to ¥638.6 billion mainly due to a decrease in cost of sales as a result of a change in the product mix and the recording of a gain on sale of subsidiary (¥18.8 billion) in association with the transfer of Takatsuki plant, in addition to an increase in revenue.
- Selling, general and administrative expenses increased by ¥24.6 billion, or 8.9%, to ¥302.3 billion mainly due to increases in expenses accompanied by the establishment of oncology business structure in the U.S. and expenses for environmental measures in Japan.
- Research and development expenses decreased by ¥6.2 billion, or 3.1% year on year, to ¥197.5 billion mainly due to the effect of sharing the costs related to *trastuzumab deruxtecan* (DS-8201) with AstraZeneca.
- The negative effect on operating profit from foreign exchange was ¥3.4 billion in total.

c. Profit before tax

- Profit before tax increased by ¥55.3 billion, or 64.5% year on year, to ¥141.2 billion.

d. Profit attributable to owners of the Company

- Profit attributable to owners of the Company increased by ¥35.7 billion, or 38.2% year on year, to ¥129.1 billion.
- Because the future taxable income amount increased in the previous fiscal year in conjunction with the strategic collaboration for *trastuzumab deruxtecan* (*DS-8201*) and it became possible to recognize additional deferred tax assets, income taxes accounted negative. As a result of the increase of income taxes rate compared to the previous fiscal year by this effect etc., profit growth rate was lower than profit before tax.

e. Total comprehensive income

- Total comprehensive income decreased by ¥62.3 billion, or 38.0% year on year, to ¥101.6 billion.

- Total comprehensive income decreased mainly due to the reversal of tax liabilities related to business restructuring of Daiichi Sankyo and its consolidated subsidiaries ("the Group"), which was carried out in the past fiscal year.

[Revenue by Geographic Area]

Primary revenue by geographic area is as follows.

a. Japan

- Revenue in Japan increased by ¥12.3 billion, or 2.1% year on year, to ¥602.0 billion.

<Prescription drug business>

- Revenue from prescription drug business increased by ¥10.2 billion, or 1.9% year on year, to ¥533.5 billion. The increase was mainly due to the growth in sales of mainstay products *LIXIANA*, *Tarlige* and others, and the contribution to sales from authorized generic[*1] products etc.. This revenue also includes revenue generated by the vaccine business and revenue generated by the generic pharmaceutical business of Daiichi Sankyo Espha Co., Ltd.
- In April 2019, Daiichi Sankyo launched *Tarlige* (generic name: *mirogabalin besilate*) for the indication of peripheral neuropathic pain.
- In May 2019, Daiichi Sankyo launched *MINNEBRO* (generic name: *esaxerenone*) for the indication of hypertension.
- In October 2019, Daiichi Sankyo launched *VANFLYTA* (generic name: *quizartinib*) for the indication of relapsed or refractory FLT3-ITD acute myeloid leukemia.
- Daiichi Sankyo returned the exclusive development and marketing rights in Japan for four diagnostic imaging agents (*Omnipaque*, *Omniscan*, *Visipaque* and *Sonazoid*) to U.S. company GE Healthcare and transferred marketing authorization rights in Japan to GE Healthcare Pharma Limited, an entity of GE Healthcare to run its business in Japan in March 2020.

*[1] Authorized generic: Generic drug manufactured after receiving consent from the manufacturer of the original drug.

<Healthcare (OTC) products business>

- Revenue from the healthcare (OTC) products business increased ¥2.1 billion, or 3.2% year on year, to ¥68.5 billion.

<Primary revenue composition in Japan>

(Billions of yen; all amounts have been rounded to the nearest single decimal place.)

	Year ended March 31, 2019	Year ended March 31, 2020	YoY change
Prescription drugs*	523.3	533.5	10.2 1.9%
Healthcare (OTC) products	66.4	68.5	2.1 3.2%

* Includes generic pharmaceutical business and vaccine business.

<Domestic revenue from mainstay prescription drugs>

(Billions of yen; all amounts have been rounded to the nearest single decimal place.)

Product name	Year ended March 31, 2019	Year ended March 31, 2020	YoY change
LIXIANA anticoagulant	64.9	83.0	18.1 27.8%
NEXIUM ulcer treatment	78.3	79.8	1.5 1.9%
Memary Alzheimer's disease treatment	50.2	50.5	0.3 0.6%
PRALIA treatment for osteoporosis/ inhibitor of the progression of bone erosion associated with rheumatoid arthritis	27.4	30.9	3.6 13.0%
TENELIA type 2 diabetes mellitus treatment	25.3	24.7	-0.6 -2.4%
Loxonin anti-inflammatory analgesic	30.5	28.3	-2.2 -7.3%
Inavir anti-influenza agent	18.2	19.3	1.1 5.9%
RANMARK treatment for bone complications caused by bone metastases from tumors	16.4	17.9	1.5 9.1%
Efient antiplatelet agent	13.9	14.0	0.1 0.7%
Rezaltas antihypertensive agent	15.5	14.6	-0.9 -5.8%
Canalia type 2 diabetes mellitus treatment	9.2	12.8	3.6 38.8%
Vimpat anti-epileptic agent	6.6	11.2	4.6 70.0%
Omnipaque contrast agent	12.0	10.3	-1.7 -13.9%
Olmetec antihypertensive agent	14.9	11.7	-3.2 -21.5%
Tarlige pain agent	–	8.0	8.0 –

b. North America

- Revenue in North America increased by ¥8.8 billion, or 5.7% year on year, to ¥162.9 billion. Revenue in local currency terms increased by US$110 million, or 7.9%, to US$1,499 million.
  This revenue includes revenue generated by Daiichi Sankyo, Inc., and American Regent, Inc.
- At Daiichi Sankyo, Inc., launched *TURALIO* (generic name: pexidartinib) for the treatment of select patients with tenosynovial giant cell tumor (TGCT), a rare and debilitating tumor in August 2019. In addition, in January 2020, Daiichi Sankyo, Inc. launched *ENHERTU* (generic name: *trastuzumab deruxtecan*) for the treatment of adult patients with unresectable or metastatic HER2 positive breast cancer who have received two or more prior anti-HER2-based regimens in the metastatic setting.
- At Daiichi Sankyo, Inc., sales of *Welchol* etc. decreased.
- At American Regent, Inc., sales of *Injectafer* and *Venofer* etc. increased.

<Revenue of Daiichi Sankyo, Inc. mainstay products>

(Millions of US$; all amounts have been rounded to the nearest million US$.)

Product name	Year ended March 31, 2019	Year ended March 31, 2020	YoY change
ENHERTU antitumor agent (HER2-targeting antibody drug conjugate)	–	30	30 –
*Olmesaratan** antihypertensive agent	97	91	-6 -6.5%
Welchol hypercholesterolemia treatment/ type 2 diabetes mellitus treatment	121	84	-37 -30.5%

* *Benicar* /*Benicar HCT*, *AZOR*, *TRIBENZOR* and authorized generics for *Olmesartan*

<Revenue of American Regent, Inc. mainstay products>

(Millions of US$; all amounts have been rounded to the nearest million US$.)

Product name	Year ended March 31, 2019	Year ended March 31, 2020	YoY change
Injectafer treatment for iron deficiency anemia	399	477	78 19.7%
Venofer treatment for iron deficiency anemia	261	285	24 9.3%

c. Europe

- Revenue in Europe increased by ¥6.9 billion, or 7.8% year on year, to ¥95.5 billion. Revenue in local currency terms increased by EUR99 million, or 14.4%, to EUR789 million.
- Sales of *LIXIANA* increased although sales of *Olmesartan* and its combination drugs and *Efient* etc. declined.

<Revenue of Daiichi Sankyo Europe GmbH mainstay products>

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

Product name	Year ended March 31, 2019	Year ended March 31, 2020	YoY change
LIXIANA anticoagulant	357	509	153 42.9%
*Olmesaratan** antihypertensive agent	213	203	-10 -4.7%
Efient antiplatelet agent	44	21	-24 -53.1%

* *Olmetec* /*Olmetec Plus*, *Sevikar* and *Sevikar HCT*

d. Asia, South & Central America

- Revenue in Asia, South & Central America increased by ¥10.7 billion, or 12.2% year on year, to ¥98.3 billion. This revenue includes revenue to overseas' licensees.
- Mainstay products such as synthetic antibacterial agent *Cravit* and *Olmesartan* and its combination drugs grew in China.
- In August 2019, *LIXIANA* was launched in China.

2) Status of R&D

- The Group has established its 2025 Vision of being a "Global Pharma Innovator with Competitive Advantage in Oncology."
- Toward the realization of 2025 Vision, the Group is working on research and development in accordance with the "3 and Alpha" Strategy, which focuses research and development resources to 3 ADCs[*1] (*DS-8201*, *DS-1062* and *U3-1402*) for maximizing its product value and aims to discover medicines that change SOC[*2] (Alpha) for realization of sustainable growth.
- While striving to strengthen its drug discovering capabilities by active utilization of partnering and technology research of new modalities[*3], the Group focuses on accelerating global clinical development.
  In the medium- to long-term, the Group aims to develop therapeutic drugs for diseases by utilizing its competitive science and technology, not limited to specific therapeutic area.

*[1] ADC (Antibody Drug Conjugate): Drug composed of an antibody drug and a payload (a low 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] SOC (Standard of Care): Universally applied best treatment practice in today's medical science.

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

- The following section describes the Group's major development projects and progress made in each project.

【3 ADCs】

a. Trastuzumab deruxtecan (DS-8201, Japanese and U.S. product name: *ENHERTU*): HER2-targeting ADC

- To maximize the value of *DS-8201*, which was created using Daiichi Sankyo's proprietary ADC technology, Daiichi Sankyo is jointly developing *DS-8201* with AstraZeneca, a company with a wealth of global experience in oncology.

<Breast cancer>

- DESTINY-Breast01 trial
  In December 2019, the U.S. Food and Drug Administration (FDA) approved *trastuzumab deruxtecan* for the treatment of adult patients with unresectable or metastatic HER2 positive breast cancer who have received two or more prior anti-HER2-based regimens in the metastatic setting.

This indication was approved under accelerated assessment based on the results of global Phase II clinical trial presented at the San Antonio Breast Cancer Symposium (SABCS) in December 2019, and *ENHERTU* has been launched in the U.S. since January 2020.
In March 2020, Daiichi Sankyo received approval for manufacture and marketing under accelerated assessment also in Japan for treatment of patients with "HER2 positive unresectable or recurrent breast cancer after prior chemotherapy (limited to the use to patients who are refractory or intolerant to standard treatments)."

- DESTINY-Breast02 trial
  The global Phase III clinical trial designed to compare the efficacy and safety of *DS-8201* versus the investigator's choice for the patients with HER2-positive recurrent and/or metastatic breast cancer previously treated with anti-HER2 ADC *T-DM1* (the third or later line treatment) is underway.
- DESTINY-Breast03 trial
  The global Phase III clinical trial designed to directly compare the efficacy and safety of *DS-8201* versus *T-DM1* in patients with HER2-positive recurrent and/or metastatic breast cancer previously treated with anti-HER2 antibody *trastuzumab*, etc. (the second line treatment) is underway.
- DESTINY-Breast04 trial
  The global Phase III clinical trial designed to compare the efficacy and safety of *DS-8201* versus the investigator's choice (chemotherapy) for the patients with HER2 low expressing metastatic breast cancer is underway.

<Gastric cancer>

- DESTINY-Gastric01 trial
  In January 2020, the Group announced that a Phase II clinical trials in Japan and South Korea for patients with HER2-positive recurrent and/or advanced gastric cancer had met their primary endpoints.
  DS-8201 has been granted SAKIGAKE Designation[*4] by the Japan Ministry of Health, Labour and Welfare (MHLW) for the treatment of the above patients.

  [*4] SAKIGAKE Designation: System that promotes R&D in Japan by providing prioritized access to clinical trials and approval procedures aiming at early practical application for innovative pharmaceutical products.

- DESTINY-Gastric02 trial
  The Group is also conducting Phase II trials in Europe and the U.S. for patients with HER2 positive unresectable or metastatic gastric cancer.

<Non-small cell lung cancer>

- The Group is conducting global Phase II clinical trials for patients with HER2-positive and HER2-mutated, recurrent and/or advanced non-small cell lung cancer (NSCLC).

<Colorectal cancer>

- The Group is conducting global Phase II clinical trials for patients with HER2-positive, recurrent and/or advanced colorectal cancer.

<Combination, etc.>

- Daiichi Sankyo is conducting a collaborative clinical trial with Bristol-Myers Squibb Company, to evaluate the combination of *DS-8201* and *nivolumab*, the immune checkpoint inhibitor (brand name: *Opdivo*) in patients with HER2-positive breast cancer.

b. DS-1062: TROP2-targeting ADC

- Phase I clinical trials for patients with recurrent and/or advanced non-small cell lung cancer are underway in Japan and the U.S. The Group presented the preliminary results concerning safety and efficacy in the dose escalation part of the trial at the 2019 American Society of Clinical Oncology (ASCO) held in May to June 2019, and at the 2019 World Conference on Lung Cancer (WCLC) held in September 2019.

c. U3-1402: HER3-targeting ADC

<Breast cancer>
- The Group is conducting Phase I/II clinical trials in patients with HER3-positive recurrent and/or metastatic breast cancer in Japan and the U.S.

<Non-small cell lung cancer>
- The Group is conducting Phase I clinical trials in Japan and the U.S. for patients with epidermal growth factor receptor (EGFR)-mutated NSCLC whose disease has progressed while taking an EGFR tyrosine kinase inhibitor (TKI). The Group presented the preliminary results concerning safety and efficacy in the dose escalation part of the trial at the 2019 American Society of Clinical Oncology (ASCO) held in May to June 2019, and at the 2019 World Conference on Lung Cancer (WCLC) held in September 2019.

【Alpha】

1) Oncology Area

a. Quizartinib: FLT3 Inhibitor

- In June 2019, Daiichi Sankyo obtained approval for manufacturing and marketing in Japan for the treatment of adults with relapsed or refractory FLT3-ITD acute myeloid leukemia (AML). *Quizartinib* has been marketed since October 2019 under the brand name *VANFLYTA*.
- In June 2019, Daiichi Sankyo received a Complete Response Letter (CRL), which is issued when a product is not approved as it is, from the FDA for the New Drug Application (NDA) for marketing approval of *quizartinib* for the treatment of adults with relapsed or refractory AML with FLT3-ITD mutations. In addition, in October 2019, the Committee for Medicinal Products for Human Use (CHMP) of the European Medicines Agency (EMA) adopted a negative opinion on the Marketing Authorization Application (MAA) for *quizartinib* for the treatment of adults with relapsed/refractory FLT3-ITD acute myeloid leukemia (AML).
- Currently, the Group is conducting global Phase III clinical trials (QuANTUM-First) to obtain approval for the indication as a first-line treatment of AML.
- *Quizartinib* has been granted Orphan Drug designation by the MHLW, the FDA and the EMA for the treatment of AML.

<Combination, etc.>
- The Group is conducting global Phase I trials to evaluate the combination of *quizartinib* and *milademetan*[*5], the MDM2 inhibitor (*DS-3032*), in patients with relapsed or refractory AML with FLT3-ITD mutation or patients, with newly-diagnosed AML with FLT3-ITD mutation, who are not tolerant to intensive chemotherapy.

*[5] *Milademetan* (*DS-3032*): Phase I trials are underway targeting patients with solid and hematologic malignancies. Data from preclinical AML animal model studies suggests that when combined with *quizartinib*, it has a synergetic effect that is greater than when used as a single agent.

b. Pexidartinib: CSF-1R/KIT/FLT3 Inhibitor

- In August 2019, Daiichi Sankyo obtained approval for marketing from the FDA for the treatment of tenosynovial giant cell tumor (TGCT). *Pexidartinib* has been marketed since August 2019 under the brand name *TURALIO*.
- In April 2019, the EMA accepted the application for approval for marketing based on the results of Phase III clinical trials (ENLIVEN study) for TGCT patients in Europe and the U.S.
- *Pexidartinib* has been granted Orphan Drug designation by the EMA for the treatment of TGCT.

c. Valemetostat (DS-3201): EZH1/2 Dual Inhibitor

- In December 2019, the first patient has been dosed in Phase II clinical trial for patients with adult T-cell leukemia-lymphoma in Japan.
- The Group is conducting Phase I clinical trials for patients with non-Hodgkin lymphomas including peripheral T-cell lymphoma (PTCL) in Japan and the U.S.
- In April 2019, *DS-3201* has been granted SAKIGAKE Designation by the MHLW for the treatment of PTCL.
- The Group is conducting Phase I clinical trials for patients with AML, acute lymphocytic leukemia (ALL) and small cell lung cancer in the U.S.

d. DS-7300: B7-H3 targeting ADC

- In October 2019, the first patient has been dosed in Phase I/II clinical trials evaluating *DS-7300* for the treatment of patients with recurrent and/or advanced solid tumors (head and neck cancer, esophageal cancer, non-small cell lung cancer, etc.) in Japan and the U.S.

e. Expansion of collaboration with Zymeworks Inc. regarding bispecific antibodies

- In April 2019, Daiichi Sankyo exercised its option for a commercial license for proprietary immuno-oncology bispecific antibodies based on a collaboration and cross-licensing agreement with Zymeworks Inc. regarding bispecific antibodies[*6]. Daiichi Sankyo will continue to effectively use the technology platforms of manufacturing bispecific antibodies developed by Zymeworks Inc. with the aim of providing novel therapeutic options for patients with cancer.

*[6] Bispecific antibodies: An antibody that can bind different antigens to the two antigen binding sites of one antibody molecule.

f. Axicabtagene ciloleucel/Axi-Cel®: CD19-targeting CAR-T cell

- In January 2017, Daiichi Sankyo received exclusive development, manufacturing and marketing rights for *axicabtagene ciloleucel* in Japan from Kite, a Gilead Company.
- *Axicabtagene ciloleucel* was granted Orphan Drug Designation[*7] by the MHLW.
- In March 2020, Daiichi Sankyo submitted a New Drug Application (NDA) to the MHLW for the treatment of adult patients with relapsed/refractory diffuse B-cell lymphoma.

*[7] Orphan Drug Designation: A system under which drugs and medical devices can be designated as orphan drugs or medical devices by the MHLW with reference to the opinion of the Pharmaceutical Affairs and Food Sanitation Council, in accordance with Article 77-2 of the Act on Securing Quality, Efficacy and Safety of Pharmaceuticals, Medical Devices, Regenerative and Cellular Therapy Products, Gene Therapy Products, and Cosmetics if they are intended for use in less than 50,000 patients in Japan and there is a particularly high medical need for them. Designated orphan

drugs will be subject to priority review for marketing authorization to ensure that they are supplied to clinical settings at the earliest possible opportunity. In addition, after orphan drug designation and approval, the re-examination period for the drugs will be extended up to 10 years for drugs.

2) Areas Other than Oncology

a. Edoxaban: Factor Xa-inhibitor

- *Edoxaban* has been on the Japanese market under the brand name *LIXIANA* with indications such as the prevention of ischemic stroke and systemic embolism in patients with non-valvular atrial fibrillation (AF), and for the treatment and prevention of recurrence of VTE (deep vein thrombosis (DVT) and pulmonary embolism (PE)).
- As for global including Japan, *edoxaban* has been on the market in over 30 countries and regions.
- The safety and efficacy data in ENTRUST-AF PCI study for patients with atrial fibrillation (AF) following successful percutaneous coronary intervention (PCI) was presented at the ESC Congress in September 2019.
- Currently, the Group is conducting Phase III clinical trials in Japan for 80 years of age or older patients with non-valvular atrial fibrillation with the targeted indication of the prevention of stroke and systemic embolism.

b. Mirogabalin: α2δ ligand

- *Mirogabalin* has been marketed in Japan since April 2019 under the brand name *Tarlige* with indication for peripheral neuropathic pain.
- Currently, the Group is conducting Phase III clinical trials for patients with post-spinal cord injury neuropathic pain, etc. in Japan and other countries in Asia.

c. Esaxerenone: Mineralocorticoid receptor blocker

- *Esaxerenone* has been marketed in Japan since May 2019 under the brand name *MINNEBRO* with indication for hypertension.
- The Phase III clinical trial in Japan for patients with diabetic nephropathy met its primary endpoint and key secondary endpoints. In November 2019, the result of this clinical trial was presented in the annual meeting of the American Society of Nephrology (ASN).

3) Production and Logistics

- The Group is accelerating transforming its production platform toward the establishment of an oncology business.
- The Group intends to make capital investments of over ¥100.0 billion in production facilities by fiscal 2022 to prepare for an increase in demand of ADC products following the acceleration of the development by the alliance with AstraZeneca related to *trastuzumab deruxtecan* (*DS-8201*, Japanese and U.S. product name: *ENHERTU*) in March 2019 as well as progress in clinical development of other ADCs.
  Accordingly, the Group plans to enhance its inhouse production facilities and is making investments. Moreover, with a view to a future global rollout of ADC product such as *trastuzumab deruxtecan* (*DS-8201*), the Group is aggressively strengthening alliances with overseas CMOs (pharmaceutical contract manufacturing organizations) as well in order to build a production base in line with its future plans.
- For the flagship of ADC product, *trastuzumab deruxtecan* (*DS-8201*), the Group has prepared a secure product supply base and started to launch quickly (January 2020) after receiving approval in

the U.S. In Japan, the Group has also prepared a product supply system aimed at market launch in fiscal 2020, having received manufacturing and marketing approval on March 25, 2020.

- As part of a review of the vaccine business, the Group reorganized the functions of Kitasato Daiichi Sankyo Vaccine Co., Ltd. and from April 1, 2019, Daiichi Sankyo Biotech Co., Ltd., a subsidiary specializing in manufacturing vaccine, started operations.
- To optimize the supply chain function, on October 1, 2019 the Takatsuki Plant owned by Daiichi Sankyo Propharma Co., Ltd. was transferred to Taiyo Holdings Co., Ltd. and started the manufacturing contract to its group company.

4) Efforts on Sustainability

- The Group is committed to working as a whole with respect to social challenges and business activities in a manner that actively respond to the varied demands of our society.
- The Group revised the Daiichi Sankyo Group Corporate Conduct Charter in April 2019, recognizing that international frameworks such as the United Nations Sustainable Development Goals (SDGs) and Guiding Principles on Business and Human Rights are important principles that should be followed by the Group. The revised charter has been promoted throughout the Group.
- The Group has identified its materiality (key issues), such a “creating innovative pharmaceuticals”, “providing a stable supply of top-quality pharmaceutical products”, “providing the highest quality medical information”, “promoting compliance management”, “corporate governance aimed at fulfilling our mission”, “improving access to healthcare”, “promoting environmental management”,” promoting the success and development of a diverse range of human resources who can produce competitive advantages”.
- We have received a lot of guidance and opinions from our stakeholders, and we reflect these in our corporate activities, while striving to proactively disclose the results of these improvements and issues to be addressed. Moreover, we actively engage in dialogue with ESG investors to strengthen these sustainability management initiatives.

(2) Analysis of Financial Position as of March 31, 2020

1) Assets, Liabilities and Capital Position

- Total assets as of the fiscal year-end were ¥2,105.6 billion, an increase of ¥17.6 billion from the previous fiscal year-end, mainly due to an increase in cash and cash equivalents and deferred tax assets, which were partially offset by a decrease in trade and other receivables.
- Total liabilities as of the fiscal year-end were ¥799.3 billion, a decrease of ¥39.0 billion from the previous fiscal year-end, mainly due to decreases in trade and other payables and bonds and borrowings (non-current liabilities), which were partially offset by an increase in other financial liabilities (non-current liabilities).
- Total equity as of the fiscal year-end was ¥1,306.3 billion, an increase of ¥56.6 billion from the previous fiscal year-end, mainly because of the profit for the year, which was partially offset by dividend paid.
- The ratio of equity attributable to owners of the Company to total assets increased by 2.2 points from the previous fiscal year-end to 62.0%.

2) Status of Cash Flows

Cash and cash equivalents increased by ¥181.0 billion during the year ended March 31, 2020 to ¥424.2 billion. The cash flow status and the contributing factors are summarized as follows:

Cash Flows from Operating Activities

- Net cash flows provided by operating activities totaled ¥196.6 billion (previous year: ¥92.0 billion). Besides profit before tax (¥141.2 billion) and non-cash items such as depreciation and amortization

(¥52.6 billion), this mainly reflected cash inflows from the receipt of the upfront fee for the strategic collaboration regarding *trastuzumab deruxtecan* (DS-8201, Product name in Japan and US: *ENHERTU*).

Cash Flows from Investing Activities

- Net cash flows provided by investing activities totaled ¥81.7 billion (previous year: ¥142.5 billion outflow), mainly due to proceeds from maturities of time deposits, transfer of the Takatsuki Plant (¥37.1 billion) and sale of the Nihonbashi Building (¥13.9 billion), which were partially offset by acquisitions of property, plant and equipment and intangible assets.

Cash Flows from Financing Activities

- Net cash flows used in financing activities totaled ¥91.6 billion (previous year: ¥66.2 billion), which reflected spending on dividend payments (¥45.4 billion) and repayments of bonds (¥40.0 billion).

(Reference) Cash flow-related indicators

Principal Cash Flow Indicators

	Year ended March 31, 2019	Year ended March 31, 2020
Ratio of equity attributable to owners of the Company to total assets (%)	59.8	62.0
Ratio of equity attributable to owners of the Company to total assets (at market value) (%)	158.2	228.8
Interest-bearing debt to cash flow ratio (years)	2.02	1.18
Interest coverage ratio (times)	73.5	89.2

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

Consolidated Financial Results

Forecast of Consolidated Financial Results for Year Ending March 31, 2021

- The following section describes the forecast of consolidated financial results for the year ending March 31, 2021.

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

	Year ended March 31, 2020	Year ending March 31, 2021	Amount change	Percentage change
Revenue	981,793	970,000	-11,793	-1.2
Operating profit	138,800	80,000	-58,800	-42.4
Profit before tax	141,164	80,000	-61,164	-43.3
Profit for the year	128,967	56,000	–72,967	–56.6
Profit attributable to owners of the Company	129,074	56,000	–73,074	–56.6

- Regarding revenue, the Company is expecting a 1.2% decrease in revenue year on year, to ¥970.0 billion as a result of the NHI drug price revision in Japan, the expiration of the exclusive sales period for *Memary*, and the termination of sales of a part of vaccines, which will be offset by revenue increase from *LIXIANA*, our mainstay products, and from *ENHERTU* and *Tarlige* which launched in the previous fiscal year.
- Operating profit is expected to decrease 42.4% to ¥80.0 billion due to an expected increase in expenses resulting from the continued intensive investment in the oncology business, including the expansion of development plan for *ENHERTU*, and the booking of a one-time gain from the sale of a subsidiary in the previous fiscal year.
- Profit for the year and profit attributable to owners of the Company are expected to be 56.0 billion respectively, which is a 56.6% decrease year on year due to the fact that the tax rate is assumed normal in fiscal 2020 while the tax rate in the previous fiscal year was low due to the introduction of combined domestic tax, etc.
- Forecasts are based on assumption of foreign exchange rates at ¥110 against U.S. dollar and ¥120 against euro.
- As it is difficult to accurately estimate the timing of convergence of new corona virus infections at the present time, the above forecasts do not reflect the impact of new corona virus infections. If global activity restrictions continue until the second quarter, the Company expects a negative impact of 3% to 5% (¥30.0 to ¥50.0 billion) on revenue due to factors such as the refraining of medical care. At the same time, the Company expects a decrease in expenses due to a decline in business activities, so the impact on operating income is expected to be negligible. The effect of prolonged impact is considered separately. We will promptly disclose any necessary revisions to our earnings forecasts in the future.

(4) Basic Policy on Profit Distribution and Dividend for the Years Ended March 2020 and Ending March 2021

- 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.
- In the 5-Year Business Plan, Daiichi Sankyo introduced policy to pay a total return ratio*[1] of 100% or more during the period, and in terms of dividend payments, to distribute ordinary dividend of ¥70 or more yearly, to pay stable dividend, and to exercise the agile purchase of treasury shares.

*1 Total return ratio = (Total amount of dividend + Total acquisition costs of treasury shares) / Profit attributable to owners of the Company

- During the fiscal year under review, based on the above policy, Daiichi Sankyo paid an interim dividend of ¥35 per share to shareholders on December 2, 2019. The year-end dividend for the fiscal year ended March 31, 2020 is forecasted ¥35 per share, and, accordingly, the annual dividend for the fiscal year ended March 31, 2020 is forecasted ¥70 per share.
- For the fiscal year ending March 31, 2021, Daiichi Sankyo intends to pay an interim dividend of ¥40.5 per share and a year-end dividend of ¥13.5 per share (on a post-share split*2 basis). The annual dividend will be increased by ¥11 from the fiscal year ended March 31, 2020 to ¥81 per share (on a pre-share split basis).

*2 At a meeting on April 27, 2020, the Board of Directors passed a resolution to "implement a three-for-one share split of ordinary shares with an effective date of October 1, 2020."

(5) Prospective Challenges

1) 2025 Vision

- The Group has established its 2025 Vision of being a "Global Pharma Innovator with Competitive Advantage in Oncology."
- Specifically, the Group aspires to be a Company having a specialty area*1 business centered on oncology as its core business, having enriched regional value products*2 aligned with each regional market, and having innovative products and pipeline changing the SOC in each market. At the same time, the Company aims to realize high shareholder value through highly efficient management in 2025.

*1 Specialty area: Drugs mainly prescribed at hospitals and/or by specialty practitioners

*2 Regional value products: Products aligned with regional market

2) 5-Year Business Plan

- The Group has established the fourth medium-term plan as a plan for transformation toward 2025 Vision. Within the vision, the Group has established six strategic targets and has been working on the establishment of foundations for sustainable growth.

[Six strategic targets in the fourth medium-term plan]
a. Establish Oncology Business
b. Expand U.S. Businesses
c. Grow as No. 1 Company in Japan
d. Grow Edoxaban
e. Continuously Generate Innovative Medicine Changing SOC
f. Enhance Profit Generation Capabilities

- The following section describes the details of the progress made and issues in the six strategic targets, cash generation and allocation in investment for future growth, and shareholder return policy.

【Six Strategic Targets】

a. Establish Oncology Business

- Under the "3 and Alpha" R&D strategy, which the Group adopted in fiscal 2019, the Group is focusing research and development resources on 3 ADCs (DS-8201, DS-1602, U3-1402), aiming to maximize the product value of each. We are also taking a variety of approaches to steadily develop

products other than 3 ADCs, and enrich the product-line and the pipeline through the acquisition of external assets.

- Our top priority is to achieve market penetration and expand the indications for the antitumor agent *trastuzumab deruxtecan* (DS-8201, Japanese and U.S. product name: *ENHERTU*) which is our first global product in the oncology field and will become the cornerstone of our oncology business going forward. Moreover, for our next global products, DS-1062 and U3-1402, our priority is to detail a specific development and commercialization strategy and then proceed swiftly with development.
- Antineoplastic agent, *ENHERTU* (DS-8201) has already launched in the U.S. and has been granted approval in Japan. Continuously we will maximize product value by promoting development according to the plan, providing correct product information and providing a stable product supply through optimizing joint development and joint marketing activities with our partner, AstraZeneca, and so forth, we aim to accelerate the building of our oncology business foundation. For DS-1062 and U3-1402, we will detail specific strategies for development and commercialization, also discerning the necessary resources to maximize product value, based on the results of the Phase I clinical trials that are currently in progress. We will maximize the product value of 3 ADCs by engaging in a wide range of initiatives.

b. Expand U.S. Businesses

- Given that we aspire to be a global enterprise, further growth in the U.S. market, the world's largest market for pharmaceuticals, is an extremely important issue.
- At U.S. subsidiary Daiichi Sankyo, Inc., our priority is to pivot the core of the business toward the oncology field and to expand the business through accelerated market penetration of Antineoplastic agent, *ENHERTU* (DS-8201), which was launched in January 2020, and the tenosynovial giant cell tumor treatment *TURALIO*, which was launched in August 2019.
- At U.S. subsidiary American Regent, Inc., our priority is to expand business through growth in our earnings pillar, *Injectafer* treatment for iron deficiency anemia, and the generic injectable franchise, which is the core business.
- Looking ahead, we will grow our U.S. business with a focus on penetrating the market by optimizing joint marketing activities for *ENHERTU* (DS-8201) with AstraZeneca and expanding earnings of *Injectafer* by optimizing joint activities of Daiichi Sankyo, Inc. and American Regent, Inc.

c. Grow as No. 1 Company in Japan

- Japan is an important market for the Daiichi Sankyo Group in terms of its revenue generated on a regional basis. We aim to grow into Japan's No. 1 company in name and substance alike. To such ends, we will leverage the strengths of our innovative pharmaceuticals business[*3], while precisely addressing various social and medical needs such as prevention, self-medication and medical treatment, with the innovative business as well as our vaccines, generics and OTC drug businesses.
- Although our mainstay innovative business has grown steadily, the market environment has become increasingly severe, due to the fundamental reforms in the current NHI drug price system in Japan. Our important priority is to use the Company's strengths in Japan to grow and maintain our No. 1 company status even in this environment.
- Going forward, we will leverage our high-quality marketing capabilities to nurture our in-house developed product, the pain agent *Tarlige*, and antihypertensive agent *MINNEBRO* into a mainstay product. We will make full use of our strengths in Japan to ensure the successful market launch of Antineoplastic agent, *ENHERTU* (DS-8201), and together with the acute myeloid leukemia

treatment *VANFLYTA*, which was launched in fiscal 2019, we will build the oncology business structure in Japan. At the same time, we will utilize external resources through aggressive in-licensing activities to overcome the adverse market environment and maintain our No. 1 company status.

*[3] Innovative pharmaceutical products: Ethical drugs protected by the exclusivity period granted by patents.

d. Grow Edoxaban

- We are forging ahead with various efforts to maintain growth of the anticoagulant *edoxaban*, which acts as a mainstay product underpinning the Group's revenues. Drawing on its outstanding product strengths and our high-quality marketing capabilities, we will maintain our No. 1 market share in Japan, and aim to grow our market share in countries where the product is sold in the European and Asian regions.
- In Japan, our priority is to overcome the impact of drug price reductions and to further expand market share as of *edoxaban* as the Group's mainstay product, while maintaining No. 1 status. In addition, further priorities include further expansion of market share in Europe as a core product of the Company's European business, along with market penetration in China, the pivotal country in the Company's Asian business, where the product was launched in August 2019.
- Looking ahead, we will effectively communicate information about evidence acquired from clinical trials and activities that generate real-world data concerning the use of *edoxaban*, and we will try to make sure that doctors and patients feel more reassured by anticoagulant therapy with *edoxaban.* In Japan, we will aim to maintain growth by conducting promotions leveraging our strength in the OD tablet (orally disintegrating tablet), which has been highly regarded as being especially easy for elderly patients to take.

e. Continuously Generate Innovative Medicine Changing SOC

- In R&D, the Group is working in accordance with the "3 and Alpha" Strategy, aiming to discover medicines that change SOC (Alpha) to realize sustainable growth.
- To realize sustainable growth, the Group's priority is to continue developing therapeutic drugs for disease by utilizing its competitive science and technology, not limited to specific therapeutic areas.
- In addition to in-house drug discovery research, the Group will actively utilize partnering and conduct technology research of new modalities and so forth to strengthen its drug discovery capabilities. In conjunction with this, in addition to our existing ADCs such as low-molecule drugs and DS-8201 we will promote research of various modalities such as next-generation ADCs, nucleic acid drugs, oncolytic viruses, cell therapy (including iPS stem cells), gene therapy, and bispecific antibodies, aiming to develop therapeutic drugs that contribute to sustainable growth.

f. Enhance Profit Generation Capabilities

- We are working on optimization of our systems by function for manufacturing, sales, and research and development on a global level and strengthening of procurement functions to enhance our ability to generate profits with the aim of achieving the management target for return on equity (ROE) of more than 8.0%.
- Our priority is to continue to compress or optimize our cost of sales, selling, general and administrative expenses, and research and development expenses in order to thoroughly streamline costs across the entire Group.
- Going forward, we will further enhance our ability to generate profits through various initiatives.

【Cash Generation and Allocation in Investment for Future Growth】

- During the 5-Year Business Plan, we will prioritize growth investments while enhancing shareholder returns.
- We will generate cash through efforts that involve increasing free cash flow before R&D expenses by enhancing our profit generation capabilities while downsizing assets including cross-held shares and real estate properties.
- In terms of research and development expenses, which are a growth investment, we plan to make total investments with a scale of ¥1,100.0 billion from fiscal 2018 to fiscal 2022 (five years), mainly centered on the 3 ADCs projects for DS-8201, DS-1062, and U3-1402. Moreover, to prepare for an increase in demand for investigational drugs and products from the ADC projects, we are planning to conduct new capital investments related to production totaling over ¥100.0 billion from fiscal 2020 to fiscal 2022 (three years). With respect to business development investments, we will fully utilize them on boosting the oncology businesses.

【Shareholder Return Policy】

- During the 7-year period from fiscal 2016 through fiscal 2022, we will seek a total return ratio[*4] of 100% or more over the period of the plan and annual ordinary dividend of more than ¥70 per share. While continuing stable dividend payments, we will conduct flexible acquisition of our own shares.
- In fiscal 2020, we will pay the ordinary dividend of ¥81 per share annually on a pre-share split basis[*5], which is an ¥11 per share increase in real terms.

*4 Total return ratio = (Total amount of dividend + Total acquisition costs of treasury shares) / Profit attributable to owners of the Company

*5 Daiichi Sankyo resolved to split its ordinary shares three-for-one on October 1, 2020 as effective date at the Board of Directors meeting held on April 27, 2020.

【Target】

- We have set the goal of achieving revenue of ¥1,100.0 billion, operating profit of ¥165.0 billion, and ROE of 8% or more in fiscal 2022.
- By strengthening investment in the oncology business, we aim to achieve an oncology business revenue target of ¥500.0 billion or higher in fiscal 2025.

(6) Other Information

1) 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 sales of rival products and generic drugs, lawsuits, regulatory trends including laws and regulations and restraint of healthcare expenditures, M&As and other such initiatives, R&D and alliances with other companies, manufacturing and procurement, emergence of side effects, intellectual property, developing business overseas, operations related to occurrence of disasters, environmental problems, financial market trend and currency fluctuation, IT security and information management, maintenance of internal control related to financial reporting, violation of laws and regulations, and recoverability of deferred tax assets.

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 Members' of the Board 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 Members of the Board are Members of the Board (Outside).

b. To ensure management transparency, nomination of candidates for Member of the Board and Corporate Officer and compensation thereof are deliberated on by a Nomination Committee and a Compensation Committee, respectively, which are established as voluntary committees. It is comprised by four Members of the Board (Outside) and one Member of the Audit & Supervisory Board (Outside) participates as the observer in each committee.

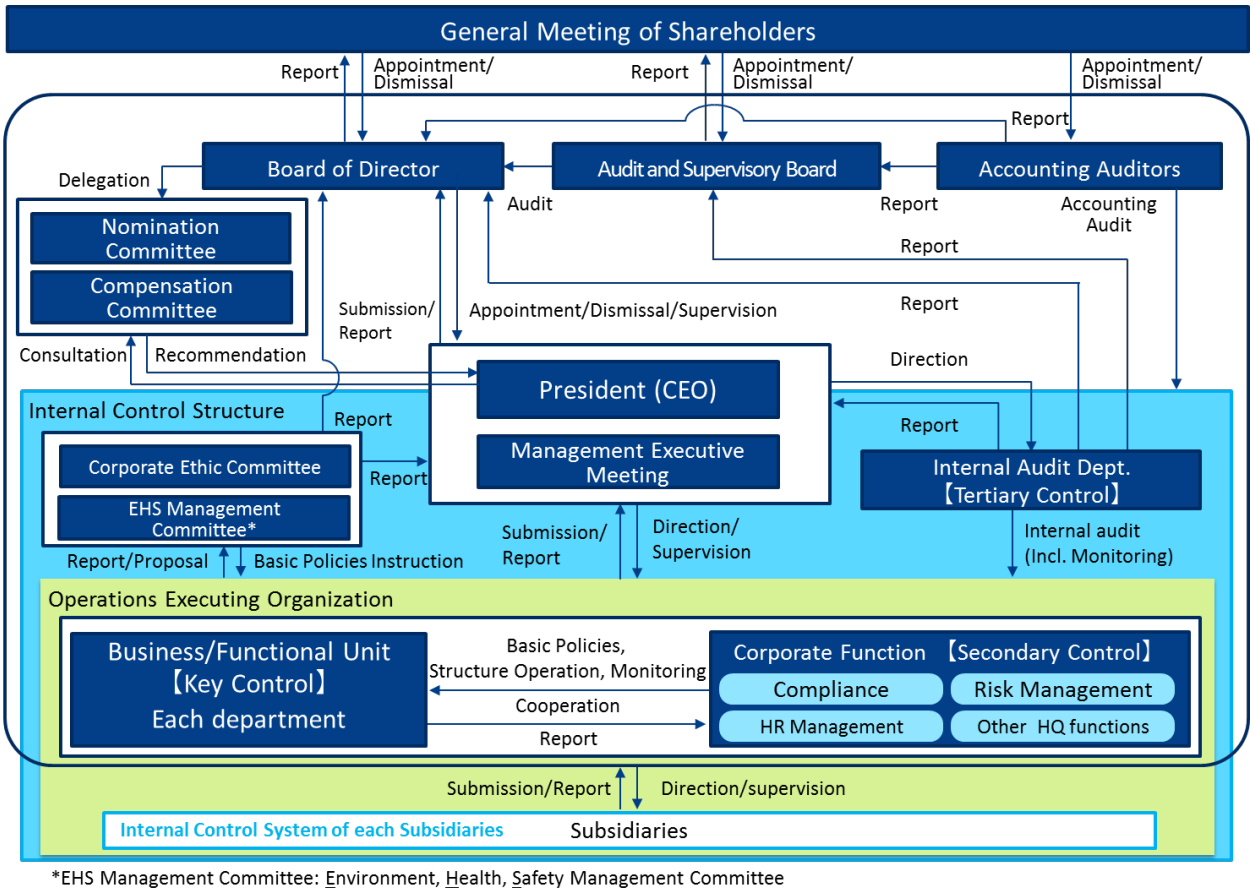
c. For audits of legal compliance and soundness of management, the Company has adopted an Audit& Supervisory Board system and established the Audit & Supervisory Board comprising five Members of the Audit & Supervisory Board, including three Members of the Audit & Supervisory Board (Outside).

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

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

f. 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

2) Policies and Procedures for Appointment of Members of the Board and CEO

- The candidates for Members of the Board shall meet the requirement of being personnel of excellent character and insight who contribute to maximizing the corporate value of the Group.
- The candidates for Members of the Board shall meet the requirements of being appropriate candidates 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.
- The candidates for Members of the Board shall meet the requirements that there shall always be Members of the Board (Outside) included to strengthen the decision-making functions based on various perspectives and to strengthen the function of supervising conduct of operations.
- The candidates for Members of the Board (Outside) shall meet the requirements that they are the individuals with expertise, experience and insight in Japan and overseas in fields including corporate management, medical and pharmaceutical sciences, legal and administrative affairs, and finance and accounting.
- When appointing the candidates for Members of the Board, the Board of Directors shall appoint the candidates after they have been sufficiently deliberated by the Nomination Committee, of which Members of the Board (Outside) form a majority.
- The candidates for Members of the Audit & Supervisory Board shall be examined prudently concerning their suitability as Members of the Audit & Supervisory Board, such as whether they can fulfil their duties, ensuring their independence from the representative directors, members of the board, and corporate officers.
- The candidates for Members of the Audit & Supervisory Board (Outside), in addition to meeting the aforementioned requirements, shall be confirmed to have no problems according to specific criteria on

the judgment of independence.

- When appointing the candidates for Members of the Audit & Supervisory Board, the Board of Directors shall appoint the candidates after they have been deliberated by the Nomination Committee, and agreed by the Audit & Supervisory Board.
- When appointing the candidates for Members of the Board and Members of the Audit & Supervisory Board, the General Meeting of Shareholders shall appoint the candidates after the relevant proposal.
- Candidates for CEO shall be appointed based on the successor plan and defined eligibility requirements, etc. that have been repeatedly discussed at the Nomination Committee.
- Appointment of CEO (including reelection) shall be determined by resolution of the Board of Directors over a recommendation from the Nomination Committee that the Committee submits after sufficient deliberation.

3) Policies and Procedures for Dismissal of Members of the Board and CEO

- If any Member of the Board is found not meeting eligibility requirements or requirements for execution of duties defined in the Companies Act or the Members of the Board Regulations, following deliberation at the Nomination Committee and the Board of Directors, the General Meeting of Shareholders shall deem that it meets criteria for dismissal of Members of the Board, and resolve dismissal of such Member of the Board after the relevant proposal.
- Dismissal of CEO 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 of Directors over a recommendation from the Nomination Committee that the Committee submits after sufficient deliberation.

4) Policy and Determination Methods on Remuneration Amounts or Related Calculation Methods to Members of the Board and Members of the Audit & Supervisory Board

a. Basic design of remuneration to Members of the Board and Members of the Audit & Supervisory Board

- Remuneration to Members of the Board (excluding Members of the Board (Outside)) is designed to provide remuneration that contributes to maximize corporate value. Specifically, in addition to a basic, fixed remuneration, performance based bonuses serving as short-term incentive and restricted share-based remuneration serving as long-term incentive are adopted as variable remunerations.
- Performance based bonuses serving as short-term incentives are determined by the degree of achievement of a single fiscal year measured by adopting “revenue” which shows business scale, “operating profit margin” which shows the efficiency of business activities and “profit attributable to owners of the Company” which shows the final result of corporate activities as the indices highly correlated with maximization of corporate value.
- As long-term incentives, the Company grants, every year in principle, restricted stocks with 3-5 years of transfer restriction to the eligible Members of the Board. The objective of the scheme is to provide Member of the Board an incentive to sustainably increase the Company’s corporate value and to further promote shared value between shareholders and them by having the restricted stocks.
- The Compensation Committee has discussed that the Company will increase variable remunerations and increasing the ratio of it in order to enhance an incentive to further increase the Company’s corporate value in fiscal 2019. In addition to the next 5-year Business Plan (from fiscal 2021), Daiichi Sankyo will further consider revising the remuneration to Members of the Board and Members of the Audit & Supervisory Board, including the introduction of performance-linked stock compensation according to the degree of achievement of performance during the period covered by the Business Plan.

- In order to ensure that Members of the Board (Outside) and Members of the Audit & Supervisory Board adequately perform their role, which is oversight of management, short-term and long-term incentives are not provided and only basic remuneration is granted.
- The level of remunerations is set aiming to provide medium to high level remunerations in the industrial sector, referring to the levels of other companies learned from the surveys of external specialist institutions.

b. Procedures for deciding remuneration of Members of the Board and Members of the Audit & Supervisory Board

- The General Meeting of Shareholders has approved a basic remuneration of Members of the Board at a maximum limit of 450 million yen per fiscal year and a total amount of restricted share-based remuneration to be granted to Members of the Board at a maximum limit of 140 million yen per fiscal year. Performance based bonuses are approved by the General Meeting of Shareholders for the relevant fiscal year.
- The General Meeting of Shareholders has approved a basic, fixed remuneration of Members of the Audit & Supervisory Board, which shall be the only remuneration they receive, at a maximum limit of 120 million yen per fiscal year.
- Establishment of the remuneration system and criteria for Members of the Board and Corporate Officers, examination and review of the remuneration level for each position, confirmation of the results of performance based bonuses, and allotment of restricted stocks have been thoroughly deliberated at the Compensation Committee, in which the four Members of the Board (Outside) serve as members and one Member of the Audit & Supervisory Board (Outside) participates as the observer.

(2) Basic Policy Regarding Moves toward Large-Scale Acquisition of Company's Stock

- The Company believes that it is the shareholders to decide whether or not to respond to any moves toward large-scale acquisition of Company stock. 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 value of the Company 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 stock are noticed, the Company would evaluate any takeover proposal with outside experts and determine carefully the impact of such on the value of the Company 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 year ended March 31, 2014. 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, 2019	As of March 31, 2020
ASSETS		
Current assets		
Cash and cash equivalents	243,155	424,184
Trade and other receivables	419,609	309,363
Other financial assets	536,880	466,528
Inventories	176,067	173,362
Other current assets	15,471	10,546
Subtotal	1,391,183	1,383,984
Assets held for sale	2,000	134
Total current assets	1,393,184	1,384,119
Non-current assets		
Property, plant and equipment	229,085	247,053
Goodwill	77,851	76,760
Intangible assets	169,472	172,499
Investments accounted for using the equity method	2,200	383
Other financial assets	114,895	97,974
Deferred tax assets	94,809	114,748
Other non-current assets	6,551	12,079
Total non-current assets	694,866	721,499
Total assets	2,088,051	2,105,619

(Millions of yen)

	As of March 31, 2019	s of March 31, 20201
LIABILITIES AND EQUITY		
Current liabilities		
Trade and other payables	312,660	270,867
Bonds and borrowings	40,000	40,389
Other financial liabilities	530	9,490
Income taxes payable	610,451	9,937
Provisions	7,837	5,367
Other current liabilities	12,715	15,019
Subtotal	384,195	351,071
Liabilities directly associated with assets held for sale	349	-
Total current liabilities	384,544	351,071
Non-current liabilities		
Bonds and borrowings	220,585	183,811
Other financial liabilities	5,680	37,118
Post-employment benefit liabilities	10,384	5,263
Provisions	4,985	10,597
Deferred tax liabilities	17,166	15,641
Other non-current liabilities	195,000	195,840
Total non-current liabilities	453,802	448,273
Total liabilities	838,346	799,344
Equity		
Equity attributable to owners of the Company		
Share capital	50,000	50,000
Capital surplus	94,633	94,633
Treasury shares	(162,964)	(162,519)
Other components of equity	115,166	82,094
Retained earnings	1,152,806	1,241,600
Total equity attributable to owners of the Company	1,249,642	1,305,809
Non-controlling interests		
Non-controlling interests	62	464
Total equity	1,249,705	1,306,274
Total liabilities and equity	2,088,051	2,105,619

(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, 2019	Year ended March 31, 2020
Revenue	929,717	981,793
Cost of sales	364,605	343,206
Gross profit	565,112	638,586
Selling, general and administrative expenses	277,695	302,320
Research and development expenses	203,711	197,465
Operating profit	83,705	138,800
Financial income	8,141	9,849
Financial expenses	5,910	7,813
Share of profit (loss) of investments accounted for using the equity method	(105)	327
Profit before tax	85,831	141,164
Income taxes	(7,591)	12,196
Profit for the year	93,422	128,967
Profit attributable to:		
Owners of the Company	93,409	129,074
Non-controlling interests	12	(107)
Profit for the year	93,422	128,967
Earnings per share		
Basic earnings per share (Yen)	144.20	199.21
Diluted earnings per share (Yen)	143.88	198.80

Consolidated Statement of Comprehensive Income

(Millions of yen)

	Year ended March 31, 2019	Year ended March 31, 2020
Profit for the year	93,422	128,967
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	60,976	(7,682)
Remeasurements of defined benefit plans	205	(4,272)
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign operations	9,289	(15,409)
Other comprehensive income (loss) for the year	70,471	(27,364)
Total comprehensive income for the year	163,893	101,602
Total comprehensive income attributable to:		
Owners of the Company	163,881	101,710
Non-controlling interests	12	(107)
Total comprehensive income for the year	163,893	101,602

(3) Consolidated Statement of Changes in Equity

Year ended March 31, 2019

(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, 2018	50,000	94,633	(163,531)	1,993	57,339	61,171
Changes in accounting policies	–	–	–	–	–	–
Adjusted balance as of April 1, 2018	50,000	94,633	(163,531)	1,933	57,339	61,171
Profit for the year	–	–	–	–	–	–
Other comprehensive income for the year	–	–	–	–	9,289	60,976
Total comprehensive income for the year	–	–	–	–	9,289	60,976
Purchase of treasury shares	–	–	(45)	–	–	–
Cancellation of treasury shares	–	–	612	(187)	–	–
Dividend	–	–	–	–	–	–
Transfer from other components of equity to retained earnings	–	–	–	–	–	(75,415)
Others	–	–	–	–	–	–
Total transactions with owners of the Company	–	–	567	(187)	–	(75,415)
Balance as of March 31, 2019	50,000	94,633	(162,964)	1,805	66,628	46,732

(Millions of yen)

	Equity attributable to owners of the Company					
	Other components of equity					
	Remeasure-ments of defined benefit plans	Total other components of equity	Retained earnings	Total equity attributable to owners of the Company	Non-controlling interests	Total equity
Balance as of April 1, 2018	–	120,504	1,031,376	1,132,982	58	1,133,041
Changes in accounting policies	–	–	(530)	(530)	–	(530)
Adjusted balance as of April 1, 2018	–	120,504	1,030,846	1,132,452	58	1,132,510
Profit for the year	–	–	93,409	93,409	12	93,422
Other comprehensive income for the year	205	70,471	–	70,471	–	70,471
Total comprehensive income for the year	205	70,471	93,409	163,881	12	163,893
Purchase of treasury shares	–	–	–	(45)	–	(45)
Cancellation of treasury shares	–	(187)	(115)	310	–	310
Dividend	–	–	(45,340)	(45,340)	–	(45,340)
Transfer from other components of equity to retained earnings	(205)	(75,621)	74,006	(1,615)	–	(1,615)
Others	–	–	–	–	(8)	(8)
Total transactions with owners of the Company	(205)	(75,808)	28,550	(46,691)	(8)	(46,699)
Balance as of March 31, 2019	–	115,166	1,152,806	1,249,642	62	1,249,705

Year ended March 31, 2020

(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, 2019	50,000	94,633	(162,964)	1,805	66,628	46,732
Changes in accounting policies	–	–	–	–	–	–
Adjusted balance as of April 1, 2019	50,000	94,633	(162,964)	1,805	66,628	46,732
Profit for the year	–	–	–	–	–	–
Other comprehensive income for the year	–	–	–	–	(15,409)	(7,682)
Total comprehensive income for the year	–	–	–	–	(15,409)	(7,682)
Purchase of treasury shares	–	–	(85)	–	–	–
Cancellation of treasury shares	–	–	530	(194)	–	–
Dividend	–	–	–	–	–	–
Changes associated with obtaining control of subsidiaries	–	–	–	–	–	–
Changes associated with losing control of subsidiaries	–	–	–	–	–	–
Transfer from other components of equity to retained earnings	–	–	–	–	–	(9,785)
Total transactions with owners of the Company	–	–	445	(194)	–	(9,785)
Balance as of March 31, 2020	50,000	94,633	(162,519)	1,611	51,218	29,264

(Millions of yen)

	Equity attributable to owners of the Company					
	Other components of equity					
	Remeasure-ments of defined benefit plans	Total other components of equity	Retained earnings	Total equity attributable to owners of the Company	Non-controlling interests	Total equity
Balance as of April 1, 2019	–	115,166	1,152,806	1,249,642	62	1,249,705
Changes in accounting policies	–	–	(375)	(375)	–	(375)
Adjusted balance as of April 1, 2019	–	115,166	1,152,431	1,249,267	62	1,249,329
Profit for the year	–	–	129,074	129,074	(107)	128,967
Other comprehensive income for the year	(4,272)	(27,364)	–	(27,364)	–	(27,364)
Total comprehensive income for the year	(4,272)	(27,364)	129,074	101,710	(107)	101,602
Purchase of treasury shares	–	–	–	(85)	–	(85)
Cancellation of treasury shares	–	(194)	(64)	271	–	271
Dividend	–	–	(45,354)	(45,354)	–	(45,354)
Changes associated with obtaining controls of subsidiaries	–	–	–	–	576	576
Changes associated with losing control of subsidiaries	–	–	–	–	(67)	(67)
Transfer from other components of equity to retained earnings	4,272	(5,512)	5,512	–	–	–
Total transactions with owners of the Company	4,272	(5,707)	(39,905)	(45,167)	509	(44,658)
Balance as of March 31, 2020	–	82,094	1,241,600	1,305,809	464	1,306,274

(4) Consolidated Statement of Cash Flows

(Millions of yen)

	Year ended March 31, 2019	Year ended March 31, 2020
Cash flows from operating activities		
Profit before tax	85,831	141,164
Depreciation and amortization	46,169	52,611
Impairment losses	15,194	7,548
Financial income	(8,141)	(9,849)
Financial expenses	5,910	7,813
Share of (profit) loss of investments accounted for using the equity method	105	(327)
(Gain) loss on sale and disposal of non-current assets	(7,562)	(9,309)
(Increase) decrease in trade and other receivables	(187,792)	110,165
(Increase) decrease in inventories	(4,018)	(7,392)
Increase (decrease) in trade and other payables	60,419	(44,726)
Others, net	118,395	(29,650)
Subtotal	124,510	218,047
Interest and dividend received	5,437	7,261
Interest paid	(1,768)	(2,526)
Income taxes paid	(36,146)	(26,181)
Net cash flows from (used in) operating activities	92,033	196,601
Cash flows from investing activities		
Payments into time deposits	(452,338)	(881,884)
Proceeds from maturities of time deposits	378,448	908,646
Acquisition of securities	(149,672)	(152,836)
Proceeds from sale of securities	136,858	208,547
Acquisition of property, plant and equipment	(36,108)	(31,936)
Proceeds from sale of property, plant and equipment	1,901	157
Acquisition of intangible assets	(30,505)	(20,629)
Acquisition of subsidiaries	–	463
Proceeds from sale of subsidiary	752	37,128
Payments for loans receivable	(548)	(533)
Proceeds from collection of loans receivable	839	520
Others, net	7,852	14,028
Net cash flows from (used in) investing activities	(142,520)	81,673

(Millions of yen)

	Year ended March 31, 2019	Year ended March 31, 2020
Cash flows from financing activities		
Proceeds from bonds and borrowings	–	3,981
Repayments of bonds and borrowings	(20,000)	(40,387)
Purchase of treasury shares	(45)	(85)
Proceeds from sale of treasury shares	0	0
Dividend paid	(45,339)	(45,356)
Others, net	(819)	(9,790)
Net cash flows from (used in) financing activities	(66,203)	(91,637)
Net increase (decrease) in cash and cash equivalents	(116,689)	186,636
Cash and cash equivalents at the beginning of the year	357,702	243,155
Effect of exchange rate changes on cash and cash equivalents	2,143	(5,608)
Cash and cash equivalents at the end of the year	243,155	424,184

(5) Notes to Consolidated Financial Statements

Going Concern Assumption

Not applicable.

Changes in Accounting Policies

The significant accounting policies adopted in preparing the consolidated financial statements of the Group have not changed from the prior year except for the adoption of the following new accounting standard.

[IFRS 16 "Leases"]

The Group adopted IFRS 16 "Leases" (issued in January 2016; hereafter "IFRS 16") from the year ended March 31, 2020. In adopting IFRS 16, the Group did not restate the comparative information and recognized the cumulative effect from initial application as an adjustment to the opening balance of retained earnings.

Regarding the determination of whether a contract is or contains a lease on transition to IFRS 16, the Group elected the practical expedient prescribed in IFRS 16 paragraph C3 and continued to apply the assessment under IAS 17 "Leases" (hereafter "IAS 17") and IFRIC 4 "Determining whether an Arrangement Contains a Lease". From the date of initial application, this assessment is determined based on the provisions of IFRS 16.

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date.

A right-of-use asset is initially measured at cost and is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of the equivalent tangible fixed assets. In addition, a right-of-use asset is reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

A lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Lease payments are allocated to financial expenses and repayments of lease liabilities so that the interest expenses in each period during the lease term will result in a constant interest rate on the outstanding lease liability. A lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

As for leases as lessee which the Group previously classified as operating leases applying IAS 17, right-of-use assets and lease liabilities were recognized at the date of initial application. Lease liabilities were measured at the present value of the remaining lease payments discounted using the lessee's incremental borrowing rate at the date of initial application. The weighted average lessee's incremental borrowing rate is 0.61%. Right-of-use assets were measured at either:

・carrying amounts as if IFRS 16 had been applied since the commencement date of the leases, but discounted using the lessee's incremental borrowing rate at the date of initial application; or

・amounts equal to lease liabilities as adjusted for prepaid or accrued lease payments.

As for leases as lessee which the Group previously classified as finance leases applying IAS 17, the carrying amounts of right-of-use assets and lease liabilities at the date of initial application are measured respectively as the carrying amounts of lease assets and lease liabilities based on IAS 17 immediately before the date of initial application.

As a result, compared to the application of the previous accounting standards, at the beginning of the year ended March 31, 2020, right-of-use assets included in "Property, plant and equipment", "Trade and other receivables", "Other financial assets", "Deferred tax assets" and lease liabilities included in "Other financial liabilities" increased by 28,698 million yen, 2,881 million yen, 2,884 million yen, 46 million yen and 40,874 million yen, respectively, and "Intangible assets", "Other non-current liabilities", "Provisions" and "Retained earnings" decreased by 479 million yen, 3,424 million yen, 3,040 million yen and 375 million yen, respectively.

The Group applied following practical expedients in adopting IFRS 16:

・Right-of-use assets and lease liabilities for short-term leases and leases of low-value assets are not recognized;

・Leases for which the lease term will end within 12 months from the date of initial application are accounted for in the same way as short-term leases;

・Initial direct costs are excluded from the measurement of right-of-use assets at the date of initial application.

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, 2019		Year ended March 31, 2020		Increase / (decrease)	
	Amount	Ratio (%)	Amount	Ratio (%)	Amount	Ratio (%)
Prescription drugs	861,116	92.6	911,262	92.8	50,146	-5.8
Healthcare (OTC) products	66,377	7.1	68,403	7.0	2,026	3.1
Others	2,223	0.3	2,127	0.2	(96)	-4.3
Total	929,717	100.0	981,793	100.0	52,076	5.6

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, 2019	595,901	160,220	89,759	83,835	929,717
Year ended March 31, 2020	607,712	183,081	95,728	95,271	981,793

(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, 2019	270,072	165,077	33,520	7,738	476,409
As of March 31, 2020	282,865	167,016	39,146	7,284	496,313

(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, 2019	Year ended March 31, 2020
Alfresa Holdings Corporation and its group companies	195,578	196,146
Suzuken Co., Ltd. and its group companies	93,697	95,459

Earnings per Share

1) Basis for calculation of basic earnings per share

	Year ended March 31, 2019	Year ended March 31, 2020
a. Profit Attributable to owners of the Company		
Profit attributable to owners of the Company (Millions of yen)	93,409	129,074
Profit not attributable to owners of the Company (Millions of yen)	–	–
Profit used to calculate basic earnings per share (Millions of yen)	93,409	129,074
b. Weighted-average Number of Ordinary Shares		
Weighted-average number of ordinary shares (basic) (Thousands of shares)	647,785	647,946
c. Basic Earnings per Share		
Basic earnings per share (Yen)	144.20	199.21

2) Diluted Earnings per Share

	Year ended March 31, 2019	Year ended March 31, 2020
a. Diluted Profit Attributable to owners of the Company		
Profit used to calculate basic earnings per share (Millions of yen)	93,409	129,074
Adjustment to profit (Millions of yen)	–	–
Profit used to calculate diluted earnings per share (Millions of yen)	93,409	129,074
b. Weighted-average Number of Diluted Ordinary Shares		
Weighted-average number of ordinary shares (basic) (Thousands of shares)	647,785	647,946
Potential effect of issue of subscription rights (Thousands of shares)	1,443	1,322
Weighted-average number of ordinary shares (diluted) (Thousands of shares)	649,228	649,269
c. Diluted Earnings per Share		
Diluted earnings per share (Yen)	143.88	198.80

Subsequent Events

At the meeting of the Board of Directors held on Monday, April 27, 2020, a share split and partial amendment to the Company’s articles of incorporation was resolved as follows:

1) Purpose of the share split

The share split aims to increase the liquidity of the shares by reducing the investment unit price for the Company's share, and to further expand the investor base.

2) Outline of the share split

(a) Method

Fixing Wednesday, September 30, 2020 as the record date, the Company will split its ordinary shares, owned by shareholders listed or recorded in the shareholder registry, three-for-one.

(b) Number of shares to be increased by the share split

(i) Total number of shares issued before the share split	709,011,343
(ii) Increase in the number of shares upon the share split	1,418,022,686
(iii) Total number of shares issued after the share split	2,127,034,029
(iv) Total number of shares issuable after the share split	8,400,000,000

(c) Schedule

(i) Announcement of record date	Friday, September 11, 2020
(ii) Record date	Wednesday, September 30, 2020
(iii) Effective date	Thursday, October 1, 2020

(d) Others

The share split will not change the amount of stated capital.

3) Effect of the share split on per share information

Per-share information calculated as if the share split had taken place at the beginning of the year ended March 31, 2019 is as follows:

	Year Ended March 31, 2019	Year Ended March 31, 2020
Basic earnings per share (Yen)	48.07	66.40
Diluted earnings per share (Yen)	47.96	66.27

4) Partial amendment to the articles of incorporation

(a) Reason for the amendment

In line with the share split, pursuant to the Article 184.2 of the Companies Act of Japan, the Company will amend, as of Thursday, October 1, 2020, the total number of shares issuable set by Article 6 in the Articles of Incorporation of the Company.

(b) Details of the amendment to the articles of incorporation

Details are as follows.

(Underlined points indicate changes)

Before the amendment	After the amendment
(Total Number of Shares Issuable) Article 6. The total number of shares issuable by the Company shall be 2.8 billion shares.	(Total Number of Shares Issuable) Article 6. The total number of shares issuable by the Company shall be 8.4 billion shares.

(c) Schedule for the amendment to the articles of incorporation

Date resolved at the Board of Directors meeting : Monday, April 27, 2020

Effective date of the amendment to the articles of incorporation : Thursday, October 1, 2020