April 27, 2021

Consolidated Financial Results for Year Ended March 31, 2021 (Fiscal 2020) <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 21, 2021
Scheduled date of dividend payments: From June 22, 2021
Scheduled date of Annual Securities Report filing: June 21, 2021
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, 2021

(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, 2021	962,516	-2.0	63,795	-54.0	74,124	-47.5	75,830	-41.2
Year ended March 31, 2020	981,793	5.6	138,800	65.8	141,164	64.5	128,967	38.0

	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, 2021	75,958	-41.2	114,982	13.2	39.17	39.11
Year ended March 31, 2020	129,074	38.2	101,602	-38.0	66.40	66.27

	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, 2021	5.9	3.5	6.6
Year ended March 31, 2020	10.1	6.7	14.1

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

Year ended March 31, 2021: 168 million yen
Year ended March 31, 2020: 327 million yen

Note: Effective Thursday, October 1, 2020, Daiichi Sankyo Company, Limited (hereinafter, "Daiichi Sankyo" or "the Company") implemented a three-for-one share split of its ordinary shares. "Basic earnings per share" and "Diluted earnings per share" are calculated as if the share split had taken place at the beginning of the year ended March 31, 2020.

(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, 2021	2,085,178	1,272,053	1,272,053	61.0	663.85
As of March 31, 2020	2,105,619	1,306,274	1,305,809	62.0	671.64

Note: Effective Thursday, October 1, 2020, Daiichi Sankyo implemented a three-for-one share split of its ordinary shares. "Equity per share attributable to owners of the Company" is calculated as if the share split had taken place at the beginning of the year ended March 31, 2020.

(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, 2021	192,207	-39,246	-202,433	380,547
Year ended March 31, 2020	196,601	81,673	-91,637	424,184

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, 2020	–	35.00	–	35.00	70.00	45,360	35.1	3.5
Year ended March 31, 2021	–	40.50	–	13.50	–	52,132	68.9	4.0
Year ending March 31, 2022 (Forecast)	–	13.50	–	13.50	27.00		–	

Note: Effective Thursday, October 1, 2020, Daiichi Sankyo implemented a three-for-one share split of its ordinary shares. The dividend for the end of the year ended March 31, 2020 and the end of the second quarter of the year ended March 31, 2021, presents the amount prior to the share split. The annual dividend per share for the year ended March 31, 2021 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 ended 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, 2021 and Ending March 31, 2022" on page 17.

3. Forecast of Consolidated Financial Results for Year Ending March 31, 2022

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

	Revenue		Core operating profit		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	%	Millions of yen	%	Yen
Full year	990,000	2.9	70,000	-11.2	70,000	9.7	70,000	-5.6	50,000	-34.1	50,000	-34.2	26.09

Note: Daiichi Sankyo discloses Core operating profit beginning from the forecast of consolidated financial results for the year ending March 31, 2022 as an indicator of its recurring profitability, excluding one-time income and expenses from Operating profit. For the definition of Core operating profit, please refer to "1. Results of Operations (3) Future Outlook" on page 16.

*Notes

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in a change in scope of consolidation): No

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

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

(3) Number of ordinary shares issued

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

As of March 31, 2021	2,127,034,029 shares
As of March 31, 2020	2,127,034,029 shares

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

As of March 31, 2021	210,868,203 shares
As of March 31, 2020	182,830,776 shares

3) Average number of shares during the period

Year ended March 31, 2021	1,939,343,390 shares
Year ended March 31, 2020	1,943,839,998 shares

Note: Effective Thursday, October 1, 2020, Daiichi Sankyo implemented a three-for-one share split of its ordinary shares. "Number of ordinary shares issued" is calculated as if the share split had taken place at the beginning of the year ended March 31, 2020.

(Reference)

Non-Consolidated Financial Results for Year Ended March 31, 2021

(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, 2021	701,000	5.4	39,652	146.5	84,543	70.0	81,002	-27.3
Year ended March 31, 2020	664,909	6.4	16,087	103.9	49,738	-1.9	111,374	-16.9

	Basic net income per share	Diluted net income per share
	Yen	Yen
Year ended March 31, 2021	41.77	41.71
Year ended March 31, 2020	57.30	57.18

Note: Effective Thursday, October 1, 2020, Daiichi Sankyo implemented a three-for-one share split of its ordinary shares. "Basic net income per share" and "Diluted net income per share" are calculated as if the share split had taken place at the beginning of the year ended March 31, 2020.

(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, 2021	1,589,239	947,766	59.6	494.07
As of March 31, 2020	1,657,134	1,005,497	60.6	516.35

Reference: Equity:

As of March 31, 2021: 946,727 million yen
As of March 31, 2020: 1,003,886 million yen

Note: Effective Thursday, October 1, 2020, Daiichi Sankyo implemented a three-for-one share split of its ordinary shares. "Net assets per share" is calculated as if the share split had taken place at the beginning of the year ended March 31, 2020.

* 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. Results of Operations (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, 2021

1) Overview

[Consolidated Financial Results]

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

	Year ended March 31, 2020	Year ended March 31, 2021	YoY change
Revenue	981,793	962,516	-19,276 -2.0%
Cost of sales	343,206	338,289	-4,917 -1.4%
Selling, general and administrative expenses	302,320	333,079	30,758 10.2%
Research and development expenses	197,465	227,353	29,888 15.1%
Operating profit	138,800	63,795	-75,005 -54.0%
Profit before tax	141,164	74,124	-67,039 -47.5%
Profit attributable to owners of the Company	129,074	75,958	-53,116 -41.2%
Total comprehensive income	101,602	114,982	13,379 13.2%

<Revenue of global mainstay products>

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

Generic name (Main brand name)	Year ended March 31, 2020	Year ended March 31, 2021	YoY change
Trastuzumab deruxtecan (Enhertu) antitumor agent (HER2-directed antibody drug conjugate)	13,958	43,470	29,511 211.4%
Edoxaban (Lixiana) anticoagulant	154,032	165,928	11,895 7.7%
Olmesartan antihypertensive agent	100,830	91,820	-9,010 -8.9%
Prasugrel antiplatelet agent	18,134	17,325	-809 -4.5%

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

(Yen)

	Year ended March 31, 2020	Year ended March 31, 2021
USD/Yen	108.75	106.06
EUR/Yen	120.83	123.70

a. Revenue

- Revenue in the year ended March 31, 2021 (fiscal 2020) decreased by ¥19.3 billion, or 2.0% year on year, to ¥962.5 billion.
- Revenue decreased year on year due to the NHI drug price revision in Japan, termination of vaccine sales cooperation, and on account of the performance of Memary, Inavir, Injectafer and others, despite having achieved growth with global mainstay products such as Enhertu (generic name: trastuzumab deruxtecan, T-DXd/DS-8201) and Lixiana, and the revenue recognition of upfront payment for the global development and commercialization collaboration of datopotamab deruxtecan (Dato-DXd/DS-1062) with AstraZeneca (¥3.9 billion).
- The negative effect on revenue from foreign exchange was ¥5.3 billion in total.

b. Operating profit

- Operating profit decreased by ¥75.0 billion, or 54.0% year on year, to ¥63.8 billion.
- Cost of sales was ¥338.3 billion, approximately the same level as the previous fiscal year, as a result of having been included a gain on sale of subsidiary (¥18.8 billion) in association with the transfer of Takatsuki plant in the previous year, despite a decline in revenue.
- Selling, general and administrative expenses increased by ¥30.8 billion, or 10.2%, to ¥333.1 billion despite a decrease in sales promotion expenses due to the impact of the spread of COVID-19, as a result of having recorded a gain on sale of property, plant and equipment of ¥10.6 billion associated with the sale of the Nihonbashi Building in the previous year, in addition to an increase in expenses associated with Enhertu (sales promotion expenses and profit sharing) and the loss compensation of the vaccine business (¥15.0 billion).
- Research and development expenses increased by ¥29.9 billion, or 15.1% year on year, to ¥227.4 billion despite lower expenses brought about by an increase in cost sharing with AstraZeneca pertaining to Enhertu and Dato-DXd, mainly due to R&D investment in 3 main ADCs as well as higher expenses associated with enhancing the oncology project development structure.
- The effect on operating profit from foreign exchange was negligible in total.

c. Profit before tax

- Profit before tax decreased by ¥67.0 billion, or 47.5% year on year, to ¥74.1 billion.
- The decrease in profit before tax was modest compared to the decrease in operating profit due to improvement of ¥8.1 billion in Daiichi Sankyo's financial balance mainly resulting from improvement of loss (gain) on exchange differences.

d. Profit attributable to owners of the Company

- Profit attributable to owners of the Company decreased by ¥53.1 billion, or 41.2% year on year, to ¥76.0 billion.
- The decrease in profit attributable to owners of the Company was modest compared to the decrease in

profit before tax due to increasing additional deferred tax assets and negative income taxes through increasing future taxable income amount.

e. Total comprehensive income

- Total comprehensive income increased by ¥13.4 billion, or 13.2% year on year, to ¥115.0 billion.
- This increase is due to improvement in valuation difference on financial assets and foreign exchange translation difference on net assets of overseas subsidiaries.

[Revenue by Geographic Area]

Primary revenue by geographic area is as follows.

a. Japan

- Revenue in Japan decreased by ¥45.7 billion, or 7.6% year on year, to ¥556.3 billion.

<Prescription drug business>

- In the prescription drug business, revenue decreased by ¥44.4 billion, or 8.3%, to ¥489.1 billion mainly due to NHI drug price revision in Japan, decline in sales of Memary caused by generic entries following the loss of exclusivity, termination of vaccine sales cooperation, and decline in sales of Inavir caused by the lower level of seasonal influenza outbreak, despite growth in sales of Tarlige. 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 May 2020, Enhertu for the treatment of patients with HER2-positive unresectable or recurrent breast cancer after prior chemotherapy (limit the use to patients who are refractory or intolerant to standard treatments) was launched.
- In December 2020, UCB in Japan, our sales partner, approved the application to partially change items of approval for anti-epileptic agent Vimpat, to expand the indications for combination therapy using tonic-clonic seizures in epilepsy patients.
- In January 2021, Eli Lilly Japan K.K., our sales partner, received manufacturing and marketing approval for the migraine prevention drug Emgality for the preventive treatment of migraine.
- In February 2021, the Company decided to transfer the domestic manufacturing and sales approvals for 11 long-listed products that it manufactures and sells in Japan to Alfresa Pharma Corporation through a company split.

<Healthcare (OTC) products business>

- Revenue from the healthcare (OTC) products business decreased by ¥1.3 billion, or 1.8% year on year, to ¥67.2 billion due to the impact of the spread of COVID-19.

<Primary revenue composition in Japan>

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

	Year ended March 31, 2020	Year ended March 31, 2021	YoY change
Prescription drugs*	533.5	489.1	-44.4 -8.3%
Healthcare (OTC) products	68.5	67.2	-1.3 -1.8%

* 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.)

Brand name	Year ended March 31, 2020	Year ended March 31, 2021	YoY change
Nexium ulcer treatment	79.8	77.8	-1.9 -2.4%
Lixiana anticoagulant	83.0	77.4	-5.6 -6.8%
Pralia treatment for osteoporosis/ inhibitor of the progression of bone erosion associated with rheumatoid arthritis	30.9	34.6	3.7 11.9%
Memary Alzheimer's disease treatment	50.5	18.4	-32.1 -63.5%
Tenelia type 2 diabetes mellitus treatment	24.7	24.2	-0.5 -1.9%
Loxonin anti-inflammatory analgesic	28.3	24.2	-4.1 -14.5%
Ranmark treatment for bone complications caused by bone metastases from tumors	17.9	19.3	1.4 8.1%
Inavir anti-influenza agent	19.3	3.6	-15.6 -81.2%
Tarlige pain agent treatment	8.0	20.6	12.6 157.6%
Canalia type 2 diabetes mellitus treatment	12.8	15.4	2.6 20.3%
Vimpat anti-epileptic agent	11.2	14.5	3.4 30.3%
Efient antiplatelet agent	14.0	14.1	0.1 0.6%
Rezaltas antihypertensive agent	14.6	13.1	-1.5 -10.1%
Olmetec antihypertensive agent	11.7	9.2	-2.4 -20.8%
Enhertu antitumor agent (HER2-directed antibody drug conjugate)	–	4.4	4.4 –

b. North America

- Revenue in North America increased by ¥6.2 billion, or 3.8% year on year, to ¥169.1 billion. Revenue in local currency terms increased by US$95 million, or 6.4%, to US$1,594 million.
  This revenue includes revenue generated by Daiichi Sankyo, Inc., and American Regent, Inc.
- At Daiichi Sankyo, Inc., sales increased year on year due to contributions of Enhertu.
- At American Regent, Inc., sales of Injectafer and others decreased due to the impact of the spread of COVID-19.

<Revenue of Daiichi Sankyo, Inc. mainstay products>

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

Brand name	Year ended March 31, 2020	Year ended March 31, 2021	YoY change
Enhertu antitumor agent (HER2-directed antibody drug conjugate)	30	243	213 715.8%
Olmesartan* antihypertensive agent	91	81	-10 -10.9%
Welchol hypercholesterolemia treatment/ type 2 diabetes mellitus treatment	84	47	-37 -43.8%

* Benicar /Benicar HCT, Azor, Tribenzor and authorized generics for Olmesartan

<Revenue of American Regent, Inc. mainstay products>

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

Brand name	Year ended March 31, 2020	Year ended March 31, 2021	YoY change
Injectafer treatment for iron deficiency anemia	477	416	-61 -12.7%
Venofer treatment for iron deficiency anemia	285	272	-13 -4.7%

c. Europe

- Revenue in Europe increased by ¥16.1 billion, or 16.9% year on year, to ¥111.7 billion. Revenue in local currency terms increased by EUR114 million, or 14.4%, to EUR903 million.
- Revenue increased due to steady growth in sales of Lixiana and as a result of having recorded a gain from transfer of the non-core products of Daiichi Sankyo France SAS.
- In November 2020, the hypercholesterolemia treatments NILEMDO (with bempedoic acid as sole active ingredient) and NUSTENDI (combination drug comprising bempedoic acid and ezetimibe) were launched.
- In February 2021, Enhertu was launched for the treatment of unresectable or metastatic HER2 positive breast cancer for patients who have received two or more prior anti-HER2-based regimens.

<Revenue of Daiichi Sankyo Europe GmbH mainstay products>

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

Brand name	Year ended March 31, 2020	Year ended March 31, 2021	YoY change
Lixiana anticoagulant	509	620	111 21.7%
Olmesartan* antihypertensive agent	203	174	-29 -14.4%
Efient antiplatelet agent	21	13	-8 -38.0%

* Olmetec /Olmetec Plus, Sevikar and Sevikar HCT

d. Asia, South & Central America

- Revenue in Asia, South & Central America increased by ¥1.3 billion, or 1.4% year on year, to ¥99.7 billion. This revenue includes sales to overseas licensees.

2) Status of R&D

- The Daiichi Sankyo Group (hereinafter, "the Group") is working on research and development in accordance with the "3 and Alpha" Strategy, which intensively allocates resources to 3ADCs[*1] (trastuzumab deruxtecan: T-DXd/DS-8201, datopotamab deruxtecan: Dato-DXd/DS-1062 and patritumab deruxtecan: HER3-DXd/U3-1402) for maximizing its product value and aims to deliver medicines that change SOC[*2] (Alpha) for realization of sustainable growth.
- While striving to strengthen 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 various diseases in addition to oncology by utilizing its competitive science and technology.

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

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

【3ADCs】

The following describes the Group's clinical development of 3ADCs projects as of March 31, 2021.

a. Trastuzumab deruxtecan (T-DXd/DS-8201: HER2-directed ADC, Japanese and U.S. brand name: Enhertu)

T-DXd is marketed in Japan and the U.S. under the brand name Enhertu. To maximize the product value, Daiichi Sankyo is jointly developing T-DXd with AstraZeneca, a company with a wealth of global experience in oncology.

<Breast cancer>

DESTINY-Breast01 trial (Phase II, Monotherapy, Third line treatment)

- T-DXd has been approved and marketed 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 in the U.S., and for the 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) in Japan.
- In December 2020, the Company presented new data from the trial at the 2020 San Antonio Breast Cancer Symposium (#SABCS20).
- T-DXd was approved for the treatment of unresectable or metastatic HER2 positive breast cancer for patients who have received two or more prior anti-HER2-based regimens in January 2021 in the European Union (EU) and in February 2021 in the United Kingdom. T-DXd was granted designation for accelerated assessment[*4] from the European Medicines Agency (EMA).

[*4] Accelerated assessment is granted by the EMA to medicines expected to significantly contribute from the perspective of public health and therapeutic innovation and can be significantly reduced the review timelines.

DESTINY-Breast02 trial (Phase III, Monotherapy, Third line treatment)

- The global clinical trial designed to compare the efficacy and safety of T-DXd versus the investigator's choice for the patients with HER2 positive breast cancer previously treated with HER2-directed ADC T-DM1, etc. is underway.

DESTINY-Breast03 trial (Phase III, Monotherapy, Second line treatment)

- The global clinical trial designed to compare the efficacy and safety of T-DXd versus T-DM1 for the patients with HER2 positive breast cancer previously treated with anti-HER2 antibody, trastuzumab, etc. is underway.

DESTINY-Breast04 trial (Phase III, Monotherapy, Third or later line treatment)

- The global clinical trial designed to compare the efficacy and safety of T-DXd versus the investigator's choice for the patients with HER2 low expressing metastatic breast cancer is underway.

DESTINY-Breast05 trial (Phase III, Monotherapy, Post neo-adjuvant therapy)

- In November 2020, the global clinical trial designed to compare the efficacy and safety of T-DXd versus T-DM1 for patients with HER2 positive early breast cancer with high risk of disease recurrence who have residual invasive disease in the breast or axillary lymph nodes after receiving neo-adjuvant therapy was initiated.

DESTINY-Breast06 trial (Phase III, Monotherapy, Chemotherapy naive)

- In July 2020, the global clinical trial designed to compare the efficacy and safety of T-DXd versus the investigator's choice for the patients who have received endocrine therapy, but have not received chemotherapy with HER2 low expressing metastatic breast cancer was initiated.

DESTINY-Breast07 trial (Phase Ib/II, Combination, Second/First line treatment)

- In January 2021, the global clinical trial was initiated to evaluate the efficacy and safety of combination of T-DXd and various anticancer drugs for patients with HER2 positive breast cancer.

DESTINY-Breast08 trial (Phase Ib, Combination, Chemotherapy naive)

- In January 2021, the global clinical trial was initiated to evaluate the combination of T-DXd and various anticancer drugs for patients with HER2 low expressing metastatic breast cancer.

BEGONIA trial (Phase Ib/II, Combination, First line treatment)

- AstraZeneca is conducting clinical trial in the U.S., Europe and Asia to evaluate the combination of T-DXd and durvalumab, the immune checkpoint inhibitor (hereinafter, Imfinzi) in patients with triple negative breast cancer (TNBC).

<Gastric cancer>

DESTINY-Gastric01 trial (Phase II, Monotherapy, Third line treatment)

- Clinical trial in Japan and South Korea for the patients with HER2 positive gastric or gastroesophageal junction adenocarcinoma that had progressed following two or more treatment regimens including trastuzumab has been completed in the previous fiscal year.
  The application for approval in Japan was submitted in April 2020, and T-DXd was approved in September 2020 for the treatment of HER2 positive unresectable advanced and/or recurrent gastric cancer that has progressed after cancer chemotherapy. T-DXd was granted SAKIGAKE Designation[*5] by Japan's Ministry of Health, Labour and Welfare (MHLW).
- The Group presented the primary analysis results at the 2020 American Society of Clinical Oncology (ASCO) in May 2020.
- In January 2021, T-DXd was approved in the U.S. for the treatment of locally advanced or metastatic HER2 positive gastric or gastroesophageal junction adenocarcinoma in patients who have received a prior regimen including trastuzumab. Furthermore, T-DXd was granted Breakthrough Therapy Designation[*6], Orphan Drug Designation[*7], and Priority Review Designation[*8] from the U.S. Food and Drug Administration (hereinafter, FDA).

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

*6 Designation in the U.S. designed to expedite the development and review of medicines that may demonstrate substantial benefit over currently available treatments in order to ensure that patients with serious diseases have access to new treatments as soon as possible.

*7 Designation to medicines intended for the treatment, diagnosis or prevention of rare diseases of disorders that affect fewer than 200,000 people in the U.S. It can receive preferential treatment such as tax incentives and subsidies.

*8 A designation, that is granted by the FDA to drugs that would be significant improvements in the safety or effectiveness of the treatment, diagnosis or prevention of serious conditions when compared to standard applications in the U.S. Under Priority Review, the FDA aims to take action on an application within 6 months as compared to 10 months under standard review.

DESTINY-Gastric02 trial (Phase II, Monotherapy, Second line treatment)

- The Group is conducting clinical trial in the U.S. and Europe for patients with HER2-positive gastric cancer.

DESTINY-Gastric03 trial (Phase Ib/II, Combination, Second/First line treatment)

- In June 2020, the trial to evaluate the combination of T-DXd and various other drugs for patients with HER2-positive gastric cancer or gastroesophageal junction adenocarcinoma was initiated in the U.S., Europe and Asia.

<Non-small cell lung cancer>

DESTINY-Lung01 trial (Phase II, Monotherapy, Second line treatment)

- The Group is conducting clinical trial in Japan, the U.S. and Europe for patients with HER2-positive and HER2 mutant, non-small cell lung cancer (NSCLC).
- In May 2020, T-DXd has been granted Breakthrough Therapy Designation by the FDA for the treatment of patients with HER2 mutant unresectable and/or metastatic non-squamous NSCLC.
- In May 2020, the Group presented data from the trial at the 2020 American Society of Clinical Oncology (ASCO).
- In January 2021, the Group presented new data from the trial at the 2020 World Conference on Lung Cancer (WCLC).

DESTINY-Lung02 trial (Phase II, Monotherapy, Second line treatment)

- In March 2021, the clinical trial was initiated to evaluate the efficacy and safety of 6.4mg/kg and 5.4mg/kg doses of T-DXd for patients with HER2 mutant NSCLC.

HUDSON trial (Phase II, Combination, Second line treatment)

- AstraZeneca is conducting clinical trial in the U.S., Europe and Asia to evaluate the combination of T-DXd and Imfinzi for patients with NSCLC whose disease progressed on an anti-PD-1/PD-L1 containing therapy.

<Colorectal cancer>

DESTINY-CRC01 trial (Phase II, Monotherapy, Third line treatment)

- The Group is conducting clinical trial in Japan, the U.S. and Europe for patients with HER2-positive colorectal cancer.
- The Group presented the primary analysis results at the 2020 American Society of Clinical Oncology (ASCO) in May 2020.

DESTINY-CRC02 trial (Phase II, Monotherapy, Third line treatment)

- In March 2021, the global clinical trial was initiated to evaluate the efficacy and safety of 6.4mg/kg and 5.4mg/kg doses of T-DXd for patients with HER2-positive colorectal cancer.

<Other>

Combination study of T-DXd and nivolumab (Phase I, Combination, Third or later line treatment)

- Daiichi Sankyo is conducting clinical trial in the U.S. and Europe with Bristol-Myers Squibb Company, to evaluate the combination of T-DXd and nivolumab, the immune checkpoint inhibitor, in patients with HER2-positive breast cancer and bladder cancer.
- In December 2020, the Company presented new data from the trial at the 2020 San Antonio Breast Cancer Symposium (#SABCS20).

Combination study of T-DXd and pembrolizumab (Phase I, Combination, Third or later line treatment)

- Daiichi Sankyo is conducting clinical trial in the U.S. and Europe with Merck & Co., Inc., to evaluate the combination of T-DXd and pembrolizumab, the immune checkpoint inhibitor (hereinafter, Keytruda) in patients with HER2-positive breast cancer and NSCLC.

DESTINY-PanTumor01 trial (Phase II, Monotherapy, Second or later line treatment)

- In January 2021, the global clinical trial was initiated for patients with HER2 mutant colorectal, urothelial, gastric, hepatobiliary, endometrial, ovarian, cervical, salivary gland, pancreatic and breast cancer, and melanoma, etc..

DESTINY-PanTumor02 trial (Phase II, Monotherapy, Refractory to standards of care (SOC))

- In August 2020, the trial for patients with HER2 expressing bladder cancer, biliary tract cancer, cervical cancer, endometrial cancer, ovarian cancer, pancreatic cancer, and other rare types of cancer was initiated in the U.S. and Asia.

b. Datopotamab deruxtecan (Dato-DXd/DS-1062: TROP2-directed ADC)

In July 2020, Daiichi Sankyo entered into a strategic collaboration agreement for Dato-DXd with AstraZeneca. To maximize the product value, Daiichi Sankyo is jointly developing Dato-DXd with AstraZeneca, a company with a wealth of global experience in oncology.

<Non-small cell lung cancer>

TROPION-PanTumor01 trial (Phase I, Monotherapy)

- The Group is conducting a global Phase I clinical trial in monotherapy with Dato-DXd for patients with NSCLC refractory to standards of care (SOC).
- In May 2020, the Group presented data from the trial at the 2020 American Society of Clinical Oncology (ASCO).
- In June 2020, patients with triple negative breast cancer (TNBC) refractory to standards of care (SOC) were added to this trial.
- In January 2021, the Group presented new data from the trial at the 2020 World Conference on Lung Cancer (WCLC).

TROPION-Lung01 trial (Phase III, Monotherapy, Second or later line treatment)

- In December 2020, the global clinical trial designed to compare the efficacy and safety of Dato-DXd versus docetaxel in patients with NSCLC without actionable genomic alterations[*9] was initiated.

[*9] Genomic alterations that could potentially be targeted for treatment, such as EGFR mutations.

TROPION-Lung02 trial (Phase I, Combination)

- In October 2020, the clinical trial to evaluate the combination of Dato-DXd and Keytruda in patients with NSCLC without actionable genomic alterations was initiated.

TROPION-Lung04 trial (Phase I, Combination)

- In March 2021, a Phase I clinical trial was initiated to evaluate the combination of Dato-DXd and Imfinzi for patients with NSCLC without actionable genomic alterations.

TROPION-Lung05 trial (Phase II, Monotherapy)

- In December 2020, the global clinical trial in patients with NSCLC with actionable genomic alterations was initiated.

c. Patritumab deruxtecan (HER3-DXd/U3-1402: HER3-directed ADC)

<Breast cancer>
- The Group is conducting Phase I/II clinical trial in Japan and the U.S. in monotherapy with HER3-DXd for patients with HER3-positive cancer refractory to standards of care (SOC).

<Non-small cell lung cancer>
- The Group is conducting a global Phase I clinical trial in monotherapy with HER3-DXd 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 interim data for the trial at the European Society of Medical Oncology Virtual Congress 2020 (ESMO20) in September 2020.

HERTHENA-Lung01 trial (Phase II, Monotherapy, Third or later line treatment)
- In February 2021, the global clinical trial in patients with epidermal growth factor receptor (EGFR)-mutated NSCLC was initiated.

<Colorectal cancer>
- In September 2020, Phase II clinical trial in monotherapy with HER3-DXd for patients with HER3 expressing colorectal cancer (the third line treatment) was initiated in Japan, the U.S. and Europe.

d. Research collaboration, etc.

Entered into innovative research collaboration with Gustave Roussy[*10]
- In July 2020, the Group entered into an agreement to support comprehensive research programs by Gustave Roussy such as clinical and translational research, including potential combination strategies with other drugs for Dato-DXd and HER3-DXd.

[*10] Gustave Roussy Cancer Campus (GRCC): Cancer research laboratory located in Villejuif in southern Paris, France

【Alpha】

The following describes the progress of the research and development made in each project other than 3ADCs projects in the year ended March 31, 2021 (fiscal 2020).

① Oncology Area

a. DS-6157 (GPR20-directed ADC)

- In May 2020, Phase I clinical trial in monotherapy with DS-6157 for patients with recurrent or advanced gastrointestinal stromal tumor (GIST) was initiated in Japan and the U.S.

b. DS-1055 (GARP-directed antibody)

- In October 2020, Phase I clinical trial in monotherapy with DS-1055 for patients with unresectable solid tumors was initiated in Japan and the U.S.

c. Teserpaturev (DS-1647: G47Δ)

- In December 2020, Daiichi Sankyo submitted a New Drug Application (NDA) for regenerative medicine to the MHLW for the treatment of patients with malignant glioma. Teserpaturev was granted SAKIGAKE Designation and Orphan Drug Designation[*11] by the MHLW.

[*11] A system under which designation is granted by the MHLW under the conditions where the drug is intended for use in less than 50,000 patients in Japan and there is a particularly high medical need for it. Designated orphan drugs are granted support measures such as tax measures and re-examination period extensions.

d. Axicabtagene ciloleucel: (Axi-Cel™: CD19-targeting CAR-T cell, brand name: YESCARTA)

- In January 2021, Daiichi Sankyo was granted approval in Japan for YESCARTA as a regenerative medicine product for the treatment of adult patients with relapsed/refractory large B-cell lymphoma.

e. DS-6000 (CDH6-directed ADC)

- In February 2021, a Phase I clinical trial in monotherapy with DS-6000 for patients with unresectable renal cell carcinoma and ovarian cancer was initiated in the U.S.

② Areas Other than Oncology

a. Strategic partnership with Ultragenyx Pharmaceutical Inc. for use of gene therapy manufacturing technology

- In April 2020, Daiichi Sankyo has entered into a strategic partnership with Ultragenyx Pharmaceutical Inc. for the non-exclusive use of gene therapy manufacturing technology with Ultragenyx Pharmaceutical Inc.'s proprietary adeno associated virus (AAV) vector.

b. Commencement of open innovation research with Mitsubishi UFJ Capital Co., Ltd. and Nagoya Institute of Technology

- In April 2020, Daiichi Sankyo has commenced open innovation research concerning a gene therapy for restoring vision with Mitsubishi UFJ Capital Co., Ltd. and Nagoya Institute of Technology.

c. Prasugrel (ADP receptor inhibitor)

- In July 2020, the primary endpoint has been achieved in the Japan Phase III clinical trial (PRASTRO-III) in thrombotic stroke patients.
- In December 2020, an application was filed to partially change items of approval for manufacturing and marketing in Japan mainly based on the results of this trial.

d. Edoxaban (Factor Xa-inhibitor)

- In August 2020, the primary endpoint has been achieved in the Japan Phase III clinical trial (ELDERCARE AF Study) for the anticoagulant, edoxaban, in elderly patients with non-valvular atrial fibrillation and high bleeding risk.
- In September 2020, an application was filed to partially change items of approval for manufacturing and marketing in Japan based on the results of this trial.

e. Mirogabalin (α2δ ligand)

- In December 2020, the primary endpoint has been achieved in the Phase III clinical trial in Asia (Japan, South Korea and Taiwan) in patients with central neuropathic pain after spinal cord injury.

f. Renadirsen sodium (DS-5141: ENA® Oligonucleotide)

- In January 2021, Daiichi Sankyo obtained the results from the Phase I/II clinical trial in Japan for patients with Duchenne muscular dystrophy and is advancing with further analysis.

3) Efforts to Address the Novel Coronavirus Infection

- Daiichi Sankyo is proactively involved in the establishment of prevention and treatment methods in the fight against COVID-19, for which there is an urgent global social need. We are leveraging our

research properties, technologies and knowledge to the maximum extent, and through partnerships with other organizations, we are proceeding with the following R&D.

a. DS-5670: genetic (mRNA) vaccine

- For the prevention of COVID-19, Daiichi Sankyo is currently participating in "Fundamental Research on the Control of the Novel Coronavirus (2019-nCoV[*1]),"[*2] an initiative supported by the Japan Agency for Medical Research and Development (hereinafter, AMED). In addition, using novel nucleic acid delivery technology[*3] developed by Daiichi Sankyo itself, Daiichi Sankyo is taking part in a basic research project on a genetic (mRNA) vaccine with the title "Development of a Genetic Vaccine for 2019-nCoV."
- In August 2020, Daiichi Sankyo was selected by the MHLW to be a provider for the Japanese Government's "Emergent Initiative to Build Production Capacity for COVID-19 Vaccines[*4] (First Round)."
- In August 2020, Daiichi Sankyo was selected by AMED to be a company for the AMED's Drug Discovery Support Program "Development of a Vaccine for COVID-19 Vaccines[*5] (Second Round)."
- In March 2021, a Phase I/II clinical trial was initiated in Japan with healthy adults including elderly individuals.

[*1] 2019-nCoV is synonymous with SARS-CoV-2.

[*2] A vaccine development initiative determined for support by AMED under urgent government-wide efforts against the worldwide spread of COVID-19.

[*3] Technology focusing on forming lipid nanoparticle structures, stabilizing pharmaceutical active ingredients and delivering nucleic acids into immune cells. Compared to conventional vaccine technology, it has demonstrated to induce a more optimal immune response.

[*4] The project aims to swiftly develop an actual (large-scale) production system for biologics, including vaccines, in order to ensure that the vaccines necessary for the prevention of the spread and severity of unexpected epidemics, including COVID-19, are produced as soon as possible, and that their supply is secured for the Japanese people.

[*5] The project aims to support the development of a vaccine against COVID-19, for which R&D is already underway, and aims to ensure the early commercialization of safe and effective vaccines.

b. DS-2319: Nafamostat inhalation formulation

- In June 2020, Daiichi Sankyo entered into a Basic Agreement on Collaborative R&D on Nafamostat Inhalation Formulation with the University of Tokyo, RIKEN, and Nichi-Iko Pharmaceutical Co., Ltd. on Nafamostat inhalation formulation for the treatment of COVID-19.
- Daiichi Sankyo is carrying out R&D on the Nafamostat inhalation formulation using technology gained in the development of its anti-influenza virus agent, Inavir.
- In March 2021, a Phase I clinical trial was initiated in Japan with healthy adults.

c. Supply of AstraZeneca's novel coronavirus vaccine in Japan

- In June 2020, Daiichi Sankyo agreed to proceed with discussions with AstraZeneca for the stable supply in Japan of a potential novel coronavirus vaccine being developed by AstraZeneca and Oxford University in the U.K.
- In February 2021, Daiichi Sankyo entered into an outsourcing agreement with AstraZeneca to manufacture the vaccine in Japan (including vial filling and packaging, etc.), and started manufacturing in March 2021.

(2) Analysis of Financial Position as of March 31, 2021

1) Assets, Liabilities and Capital Position

- Total assets as of the fiscal year-end were ¥2,085.2 billion, a decrease of ¥20.4 billion from the previous fiscal year-end, mainly due to decreases in cash and cash equivalents and trade and other receivables, which were partially offset by increases in inventories and other financial assets (non-current assets).
- Total liabilities as of the fiscal year-end were ¥813.1 billion, an increase of ¥13.8 billion from the previous fiscal year-end, mainly due to increases in trade and other payables and other non-current liabilities, which were partially offset by a decrease in bonds and borrowings.
- Total equity as of the fiscal year-end was ¥1,272.1 billion, a decrease of ¥34.2 billion from the previous fiscal year-end, mainly because of dividend payment and purchase of treasury shares (29.47 million shares at a cost of ¥100.0 billion as part of upper limit of 60.00 million shares as the total number of shares to be purchased or ¥100.0 billion aggregate purchase cost), which was partially offset by the profit for the year.
- The ratio of equity attributable to owners of the Company to total assets was 61.0%, a decrease of 1.0 points from the previous fiscal year-end.

2) Status of Cash Flows

Cash and cash equivalents increased by ¥43.6 billion during the year ended March 31, 2021 to ¥380.5 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 ¥192.2 billion (previous year: ¥196.6 billion), besides profit before tax (¥74.1 billion) and non-cash items such as depreciation and amortization (¥57.4 billion), this mainly reflected cash inflows from the receipt of the upfront fee for the strategic collaboration and regulatory milestones regarding *ENHERTU* and the upfront fee for the strategic collaboration regarding *datopotamab deruxtecan*.

Cash Flows from Investing Activities

- Net cash flows used in investing activities totaled ¥39.2 billion (previous year: ¥81.7 billion inflow), mainly due to acquisitions of property, plant and equipment and intangible assets, which were partially offset by proceeds from maturities of time deposits.

Cash Flows from Financing Activities

- Net cash flows used in financing activities totaled ¥202.4 billion (previous year: ¥91.6 billion), which reflected spending on purchase of treasury shares, dividend payments, repayments of bonds and borrowings.

(Reference) Cash flow-related indicators

Principal Cash Flow Indicators

	Year ended March 31, 2020	Year ended March 31, 2021
Ratio of equity attributable to owners of the Company to total assets (%)	62.0	61.0
Ratio of equity attributable to owners of the Company to total assets (at market value) (%)	228.8	296.4
Interest-bearing debt to cash flow ratio (years)	1.18	1.03
Interest coverage ratio (times)	89.2	118.83

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

1) Differences between Forecast and Actual Result of Financial Results for Year Ended March 31, 2021 (April 1, 2020 to March 31, 2021)

- The following section describes the differences between the consolidated forecasts for the fiscal year ended March 31, 2021, announced on October 30, 2020, and the actual consolidated results for the fiscal year.

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

	Forecast announced on October 30, 2020 (A)	Result (B)	Amount change (B) - (A)	Percentage change
Revenue	960,000	962,516	2,516	0.3
Operating profit	60,000	63,795	3,795	6.3
Profit before tax	69,000	74,124	5,124	7.4
Profit for the year	53,000	75,830	22,830	43.1
Profit attributable to owners of the Company	53,000	75,958	22,958	43.3

<Reasons for the Differences>

- Revenue increased by ¥2.5 billion higher than the amount forecast due to steady growth in sales of mainstay products in Japan as well as outside Japan.
- Operating profit and Profit before tax increased by ¥3.8 billion and ¥5.1 billion higher than the amount forecast respectively due to research and development expenses lower than amount forecast, in addition to an increase of revenue.
- Profit of the year and Profit attributable to owners of the Company increased by ¥22.8 billion and ¥23.0 billion higher than the amount forecast respectively due to increasing additional deferred tax assets and negative income taxes through increasing future taxable income amount.

2) Forecast of Consolidated Financial Results for Year Ending March 31, 2022

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

	Year ended March 31, 2021	Year ending March 31, 2022	Amount change	Percentage change
Revenue	962,516	990,000	27,483	2.9
Core operating profit	78,853	70,000	-8,853	-11.2
Operating profit	63,795	70,000	6,205	9.7
Profit before tax	74,124	70,000	-4,125	-5.6
Profit for the year	75,830	50,000	-25,830	-34.1
Profit attributable to owners of the Company	75,958	50,000	-25,958	-34.2

* From the fiscal year ending March 2022, Daiichi Sankyo will disclose core operating income, which excludes temporary gains and losses from operating income, as an indicator of ordinary profitability. Temporary gains/losses include gains/losses on sales of fixed assets, gains/losses associated with business restructuring (excluding gains/losses on sales of developed products and products on the market), tangible fixed assets, intangible assets, impairment loss on goodwill, compensation for damages or settlement, and

non-recurring and large gains/losses. For the adjustment table from operating income to core operating income, please refer to the reference data.

- Regarding revenue, the Company is expecting a 2.9% increase in revenue year on year, to ¥990.0 billion by revenue increase from our mainstay products such as Enhertu, Lixiana and Tarlige although there are factors of decrease in revenue such as the NHI drug price revision in Japan and the termination of the sales collaboration for Nexium (September, 2021).
- Core operating profit is expected to decrease 11.2% to ¥70.0 billion year on year due to an expected increase in expenses resulting from the continued intensive investment in the oncology business, including the increase of profit share payments to AstraZeneca due to increased sales of Enhertu and the expansion of 3ADC development plan, etc..
- Operating profit is expected to increase 9.7% to ¥70.0 billion year on year due to posting loss compensation of ¥15.0 billion for the vaccine business to Sanofi in the previous fiscal year and no plan to make a temporary gains/losses in the fiscal year ending March 2022.
- Profit for the year and profit attributable to owners of the Company are expected to be ¥50.0 billion each, which is 34.1% and 34.2% decrease year on year due to the fact that the normal level is assumed for the fiscal year ending March 2022 while additional deferred tax assets increased and negative income taxes were negative through increasing future taxable income amount in the previous fiscal year.
- Forecasts are based on assumption of foreign exchange rates at ¥105 against U.S. dollar and ¥120 against euro.
- The Company assumes that activity restrictions continue due to COVID-19 infections. However, the impact on operating income of the Group is expected to be negligible.

(4) Basic Policy on Profit Distribution and Dividend for the Years Ended March 2021 and Ending March 2022

- 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 (fiscal 2016 to fiscal 2020), 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 to ¥70 or more yearly, to pay stable dividend, and to exercise the agile purchase of treasury shares.
- For the fiscal year ended March 31, 2021, based on the above policy, Daiichi Sankyo paid an interim dividend of ¥40.5 per share (on a pre-share split basis) on December 1, 2020. Daiichi Sankyo has conducted a three-for-one share split of ordinary shares on October 1, 2020, and intends to pay a year-end dividend of ¥13.5 per share on a post-share split basis. The annual dividend for the year ended March 31, 2021, on a pre-share split basis, will be increased by ¥11.0 from the previous fiscal year, to ¥81.0 per share.
- To increase shareholder returns and enhance capital efficiency, Daiichi Sankyo purchased approximately 29.47 million treasury shares for the cost of approximately ¥100.0 billion from November 2, 2020 to March 12, 2021.

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

- For the fiscal year ending March 31, 2022, based on the shareholder return policy of 5-Year Business Plan (fiscal 2021 to fiscal 2025)[*2], Daiichi Sankyo intends to pay an interim dividend of ¥13.5 per share, a year-end dividend of ¥13.5 per share and an annual dividend of ¥27 per share.

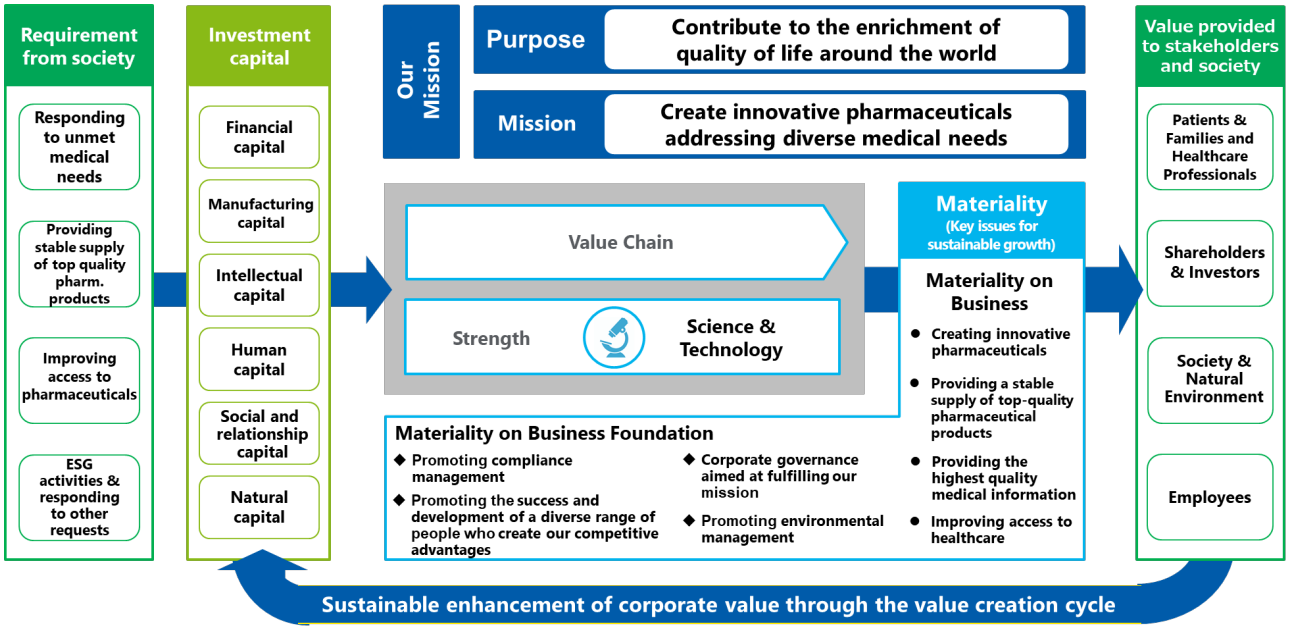
  *2 For the shareholder return policy of 5-Year Business Plan (fiscal 2021 to fiscal 2025), please refer to "1. Results of Operations (5) Prospective Challenges" on page 19.

(5) Prospective Challenges

1) Daiichi Sankyo's Value Creation Process and ESG Management

- The Group defines ESG management as "management based on a long-term perspective that enhances both financial and non-financial value by reflecting ESG elements in business strategies," and we are implementing this management.
- To meet society's diverse requirements, we invest a variety of internal and external management resources into the value creation process and provide value to each stakeholder and society with "Science and Technology" as our greatest source of competitive advantage. By circulating the value creation process, we believe to be able to achieve both sustainable growth of the Company, and of society as a whole.
- Considering the two aspects of impact on medium- to long-term corporate value and expectations from society, including various stakeholders, we identified eight key issues as our materiality, which we have categorized as materiality on business and materiality on business foundation.

Daiichi Sankyo's Value Creation Process



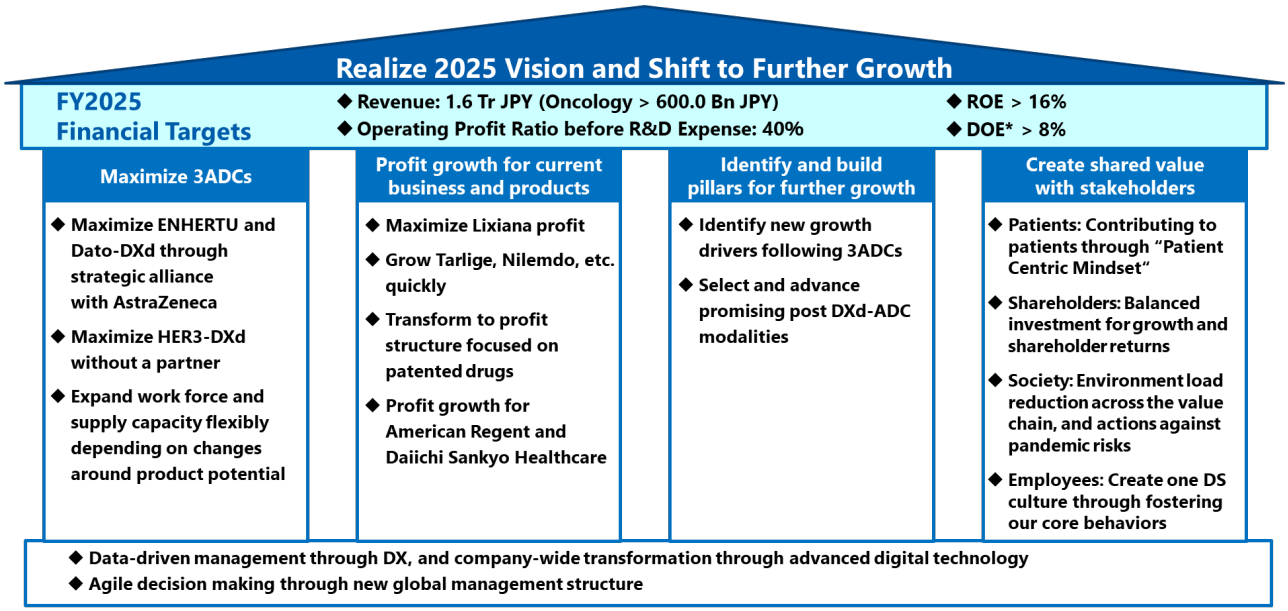
2) 2030 Vision

- Under ESG management, we newly established our 2030 Vision of being an "innovative global healthcare company contributing to the sustainable development of society."
- To realize our "Purpose," which is to "contribute to the enrichment of quality of life around the world," we aim to address the social issues that we are expected by society to solve through our business activities, such as the creation of innovative pharmaceuticals and efforts for achieving the SDGs. We challenge ourselves to continuously provide innovative solutions based on our strength: Science & Technology.

3) 5-Year Business Plan (Fiscal 2021 to Fiscal 2025)

- We have established 5-Year Business Plan (fiscal 2021 to fiscal 2025) and four strategic pillars as a plan to realize our 2025 Vision, "Global Pharma Innovator with Competitive Advantage in Oncology" and shift to further growth toward our 2030 Vision, while conducting ESG management.

Strategic Pillars for the 5-Year Business Plan (FY2021-FY2025)



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

【Four Strategic Pillars】

a. Maximize 3ADCs

- In the 5-Year Business Plan, maximizing 3ADCs (Enhertu, Dato-DXd and HER3‐DXd) is our most important materiality.
- With regard to Enhertu, we will accelerate market penetration and acquisition of new indications through our strategic collaboration with AstraZeneca. In addition, we will establish advantage over competitive products for HER2, and will firmly establish HER2 low expression concept for the treatment of breast cancer.
- As for Dato-DXd, our target is to obtain approval and additional indications as quickly as possible through the strategic collaboration with AstraZeneca. Moreover, we will establish and implement an effective launch plan, and establish advantages over competitive products for TROP2.
- For HER3-DXd, we will launch as fast as possible through our in-house development. After having developed and implemented an effective launch plan, we will establish HER3 as a cancer treatment target.
- In addition to these efforts, we will promote appropriate use of the product through interstitial lung disease (ILD) monitoring and risk analysis, and efficiently and gradually expand the work force and supply capacity depending on changes around the product potential.

b. Profit Growth for Current Business and Products

- Profit growth for current business and products in addition to the oncology business will also be an important challenge as we continue to invest for sustainable growth.
- Regarding Lixiana, as a highly profitable product that generates a stable profit, we aim to achieve annual revenue of ¥200.0 billion at an early timing, and to achieve peak annual revenue of ¥220.0 billion or higher.
- For new products such as Tarlige and Nilemdo, we aim to achieve quick growth through additional indications and so forth. Through realizing early growth for these new products, in addition to Lixiana, we aim to achieve sustainable growth in our businesses for newly patented products outside of oncology as well.

- In each region, we aim to transform ourselves into a business structure that supports sustainable profit growth through transformation to patented product-based profit structure.
- At American Regent, Inc., we aim to grow profits mainly through Injectafer and generic injectable products. At Daiichi Sankyo Health Care Co., Ltd., we aim to grow profits primarily through expanding Japanese domestic in-store sales and online business.

c. Identify and Build Pillars for Further Growth

- In order to achieve sustainable growth, it is important that we identify post-3ADC growth drivers and select and advance post-DXd-ADC modalities through a multi-modality research strategy.
- We will identify post-3ADC growth drivers from fields such as the DXd-ADC family, second-generation and new-concept ADC, modified antibodies, and the ENA® family[*1].
- We will identify post-DXd-ADC modalities for sustainable growth from various modality technologies. Regarding LNP-mRNA, we will utilize it also in vaccines other than those for COVID-19 infections to drive the growth of the vaccine business.

[*1] 2‘-O,4’-C-Ethylene-bridged Nucleic Acids: It is a modified nucleic acid using Daiichi Sankyo’s proprietary technology.

d. Create Shared Value with Stakeholders

- To promote ESG management from a long-term perspective, it is also important to create shared value with stakeholders, namely, patients, shareholders, society, the environment, and employees.
- As we expand 3ADCs to various types of cancer and target more rare diseases, we will strengthen our initiatives under a patient centric mindset and contribute to patients, not only in pharmaceutical development but across the entire value chain.
- We will implement well-balanced investment for growth, and shareholder returns to sustainably increase the value for the Company.
- For social and environmental challenges such as decarbonization society, circular economy and a society in harmony with nature, we will implement various initiatives to reduce environmental impact throughout the value chain from research and development to sales, and contribute to society and the environment.
- In addition to our stable supply in ordinary times of seasonal influenza and other vaccines from in-house manufacturing sites, we will contribute to society by establishing technologies that can be applied to vaccines for COVID-19 as well as emerging/re-emerging infectious diseases and establishing a vaccine supply system for future pandemics.
- By determining the Group’s common core behaviors, which form its common core across the entire Group, we will cultivate a unique corporate culture, “One DS Culture,” and further enhance the strengths of our global organization and human resources.

【Platform for Supporting Strategy Execution】

- To strengthen our platform for supporting the execution of our four strategic pillars, we will implement data-driven management by advancing digital transformation and advance company transformation with cutting-edge digital technology. In addition, we will realize agile decision-making through our new global management structure.

【Shareholder Return Policy】

- In addition to maintaining the ordinary dividend of ¥27 per share, we will increase dividend that take account of our profit growth. We will also flexibly acquire own shares and will enhance shareholder returns.
- We have adopted dividend on equity[*2] (DOE) based on shareholders' equity as a KPI in line with our policy of providing stable returns to shareholders. Going forward, we aim to maximize shareholder value, with a target for DOE of 8% or more in the fiscal year ending March, 2025, exceeding the cost of shareholders' equity.

[*2] Dividend on equity = Total dividend amount / Equity attributable to owners of the Company

【Fiscal 2025 Financial Targets】

- Revenue: ¥1.6 trillion (Oncology: ¥600.0 billion or more)
- Operating profit[*3] ratio before research and development expenses: 40% or more
- ROE: 16% or more
- DOE: 8% or more

[*3] Excluding special items (gains and losses related to sale of non-current assets, restructuring, impairment, litigation, etc.)
Assumption of exchange rate for fiscal 2025: 1USD=¥105, 1EUR = ¥120

(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 risks regarding Enhertu/Dato-DXd clinical trials and less returns on the executed investments.

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). Since June 2020, a Member of the Board (Outside) has been appointed chairman of the Board of Directors.

b. To ensure management transparency, nomination of candidates for Member of the Board and Corporate Officer, successor plan of CEO 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.

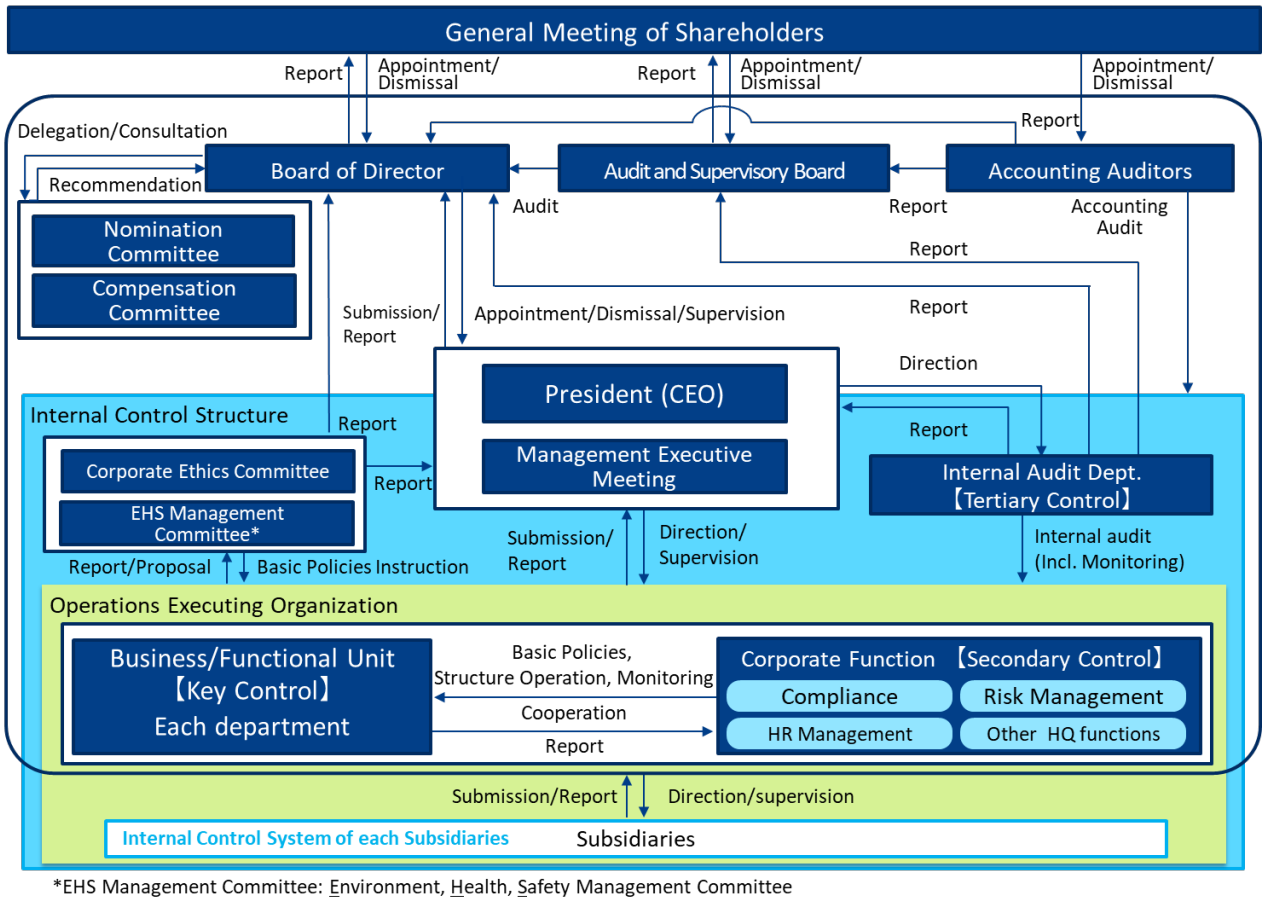
c. For audits of legal compliance and soundness of management, the Company has adopted an Audit& Supervisory Board system and established the Audit & Supervisory Board comprising five Members of the Audit & Supervisory Board, including three Members of the Audit & Supervisory Board (Outside).

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 fields including corporate management, finance and accounting, science, global business, sustainability and ESG.
- The Company shall confirm that the status of material concurrent positions of candidates for Members of the Board (Outside) is within a range in which they are able to perform their duties as Members of the Board of the Company appropriately.
- The Company recognizes that ensuring the diversity of Members of the Board particularly in terms of gender and nationality as well as incorporating diverse opinions into management are important for strengthening the supervisory function and decision-making of the Board of Directors. The Company will continue to discuss the selection of candidates for Members of the Board going forward.
- 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 Members of the Board Regulations of the Company stipulate that Members of the Board must attend meetings of the Board of Directors except where there is an unavoidable reason.
- 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) Matters concerning the Decision Policy regarding the Content of Individual Compensations of Members of the Board

- At the Board of Directors meeting held on February 26, 2021, the Company has established a policy regarding decisions of the content of individual compensations for Members of the Board after deliberation by the Compensation Committee. The outline is as follows.

a. Compensations policy

- Compensations to Members of the Board are designed for the contribution to maximize corporate value.

b. Level of compensations

- The level of compensations to Members of the Board is set aiming to provide medium to high level compensations in the industrial sector, referring to the levels of other companies learned from the surveys of external specialist institutions.

c. Composition of compensations

- Compensation to Members of the Board (excluding Members of the Board (Outside)) is designed to encourage management efforts from a short-term to medium-long-term perspective and appropriately to be able to reward the results by the composition of three compensations such as basic, fixed

compensation, performance based bonuses serving as short-term incentive and restricted share-based compensation serving as long-term incentive. Retirement benefit system is not adopted.

- Compensation to Members of the Board (Outside) who are oversight of management and are not in the position to take charge of business execution is only basic, fixed compensation. Incentive bonuses and retirement benefit system are not adopted.

d. Ratio of the composition of compensations

- Compensations to Members of the Board (excluding Members of the Board (Outside)) are designed to have its ratio of 60% as basic compensation, 20% as performance-based bonuses, and 20% as restricted share-based compensation when achieving the performance target of 100%.
- Compensation to Members of the Board (Outside) is only basic, fixed compensation.

e. Basic compensation

- Basic compensation to Members of the Board (excluding Members of the Board (Outside)) shall be paid on one regular day of each month during their tenure, and the amount of individual compensation is determined according to the compensations policy and the level of compensations.

f. Annual performance-based bonuses (short-term incentive)

- Annual performance based bonuses, which are short-term incentive compensation, shall be paid in a lump sum at a fixed time each year after obtaining approval at each annual ordinary General Meeting of Shareholders.
- Annual performance based bonuses are determined by the degree of achievement of a single fiscal objectives year measured by adopting “revenue”, “operating profit margin” and “profit attributable to owners of the Company” as the relevant indices.

g. Restricted share-based compensation (Long-term incentives)

- The Company grants, every year in principle, stocks with transfer restriction until the time immediately after resignation or retirement of a Member of the Board. The objective of the system is to give incentives to sustainably increase the value for the Company and to promote shared value between shareholders and Members of the Board for as long as possible by having the restricted stocks.
- The number of stocks, which is determined by dividing the amount of restricted share-based compensation per positions by the closing price of the Company’s stock one day prior to the Meeting of the Board’s resolution on allocation, is granted

h. Compensation governance and decision-making process

- The Compensation Committee has been established as an advisory body to the Board of Directors to ensure the appropriateness of compensation for Members of the Board and corporate officers and the transparency of the decision-making process. The Compensation Committee consists of only Members of the Board (Outside), with one Member of the Audit and Supervisory Board (Outside) participating as an observer, and the chairperson is elected by mutual election of the members.
- The Compensation Committee fully discusses the compensation system, the composition of the compensation, verification and review of compensation levels for each position, target setting and result confirmation of performance based bonuses, and allocation of restricted share.
- The amount of compensation for each individual Member of the Board is first deliberated by the Compensation Committee, and then the basic compensation is determined by a resolution of the Board of Directors within the total amount of compensation resolved at the General Meeting of Shareholders based on the deliberation results. Performance based bonuses are determined by a resolution of the Board of Directors and approved at each ordinary General Meeting of Shareholders, and restricted share-based compensation is determined by a resolution of the Board of Directors within the total amount of compensation resolved at the General Meeting of Shareholders.
- As stated in the above policy, the Compensation Committee has fully deliberated about verifications and reviews of the compensation system, the composition of the compensation, and compensation level for each position, sets targets and results of performance-based compensation, and the

allocation of the restricted share. The content of individual compensation for Members of the Board in the current fiscal year is also decided by the Board of Directors after being first deliberated by the Compensation Committee. We judge that the content of the Company's compensation governance is in line with the above-mentioned policy regarding decisions of the content of individual compensation for Members of the Board.

5) Decision Policy regarding the Content of Individual Compensations of Members of the Audit and Supervisory Board

The outline of the decision policy regarding the content of individual compensations of Members of the Audit and Supervisory Board is as follows.

- Compensation to Members of the Board (Outside) is only basic, fixed compensation in view of the role of oversight of management and no position to take charge of business execution.
- The level of basic compensations is set aiming to provide medium to high level compensations in the industrial sector, referring to the levels of other companies learned from the surveys of external specialist institutions.
- The amount of the compensation for each Member of the Audit and Supervisory Board has been determined through the discussion and with the unanimous consent in the Audit and Supervisory Board meetings within the total amount of the compensation approved by the General Meeting of Shareholders.

(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 corporate value 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 corporate value 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, 2020	As of March 31, 2021
ASSETS		
Current assets		
Cash and cash equivalents	424,184	380,547
Trade and other receivables	309,363	232,036
Other financial assets	466,528	444,368
Inventories	173,362	200,860
Other current assets	10,546	10,607
Subtotal	1,383,984	1,268,420
Assets held for sale	134	-
Total current assets	1,384,119	1,268,420
Non-current assets		
Property, plant and equipment	247,053	265,281
Goodwill	76,760	77,706
Intangible assets	172,499	172,822
Investments accounted for using the equity method	383	1,440
Other financial assets	97,974	139,991
Deferred tax assets	114,748	128,525
Other non-current assets	12,079	30,990
Total non-current assets	721,499	816,757
Total assets	2,105,619	2,085,178

(Millions of yen)

	As of March 31, 2020	As of March 31, 2021
LIABILITIES AND EQUITY		
Current liabilities		
Trade and other payables	270,867	297,499
Bonds and borrowings	40,389	20,391
Other financial liabilities	9,490	9,359
Income taxes payable	9,937	6,096
Provisions	5,367	6,051
Other current liabilities	15,019	14,173
Total current liabilities	351,071	353,571
Non-current liabilities		
Bonds and borrowings	183,811	163,441
Other financial liabilities	37,118	36,983
Post-employment benefit liabilities	5,263	3,929
Provisions	10,597	8,741
Deferred tax liabilities	15,641	17,516
Other non-current liabilities	195,840	228,941
Total non-current liabilities	448,273	459,553
Total liabilities	799,344	813,125
Equity		
Equity attributable to owners of the Company		
Share capital	50,000	50,000
Capital surplus	94,633	94,494
Treasury shares	(162,519)	(261,252)
Other components of equity	82,094	111,479
Retained earnings	1,241,600	1,277,332
Total equity attributable to owners of the Company	1,305,809	1,272,053
Non-controlling interests		
Non-controlling interests	464	-
Total equity	1,306,274	1,272,053
Total liabilities and equity	2,105,619	2,085,178

(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, 2020	Year ended March 31, 2021
Revenue	981,793	962,516
Cost of sales	343,206	338,289
Gross profit	638,586	624,227
Selling, general and administrative expenses	302,320	333,079
Research and development expenses	197,465	227,353
Operating profit	138,800	63,795
Financial income	9,849	12,916
Financial expenses	7,813	2,755
Share of profit (loss) of investments accounted for using the equity method	327	168
Profit before tax	141,164	74,124
Income taxes	12,196	(1,705)
Profit for the year	128,967	75,830
Profit attributable to:		
Owners of the Company	129,074	75,958
Non-controlling interests	(107)	(127)
Profit for the year	128,967	75,830
Earnings per share		
Basic earnings per share (Yen)	66.40	39.17
Diluted earnings per share (Yen)	66.27	39.11

Consolidated Statement of Comprehensive Income

(Millions of yen)

	Year ended March 31, 2020	Year ended March 31, 2021
Profit for the year	128,967	75,830
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	(7,682)	12,499
Remeasurements of defined benefit plans	(4,272)	7,847
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign operations	(15,409)	18,805
Other comprehensive income for the year	(27,364)	39,151
Total comprehensive income for the year	101,602	114,982
Total comprehensive income attributable to:		
Owners of the Company	101,710	115,110
Non-controlling interests	(107)	(127)
Total comprehensive income for the year	101,602	114,982

(3) Consolidated Statement of Changes in Equity

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

Year ended March 31, 2021

(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, 2020	50,000	94,633	(162,519)	1,611	51,218	29,264
Profit for the year	–	–	–	–	–	–
Other comprehensive income for the year	–	–	–	–	18,805	12,499
Total comprehensive income for the year	–	–	–	–	18,805	12,499
Purchase of treasury shares	–	(138)	(100,054)	–	–	–
Cancellation of treasury shares	–	–	1,320	(572)	–	–
Dividend	–	–	–	–	–	–
Changes associated with losing control of subsidiaries	–	–	–	–	–	–
Transfer from other components of equity to retained earnings	–	–	–	–	–	(1,347)
Total transactions with owners of the Company	–	(138)	(98,733)	(572)	–	(1,347)
Balance as of March 31, 2021	50,000	94,494	(261,252)	1,038	70,024	40,416

(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, 2020	–	82,094	1,241,600	1,305,809	464	1,306,274
Profit for the year	–	–	75,958	75,958	(127)	75,830
Other comprehensive income for the year	7,847	39,151	–	39,151	–	39,151
Total comprehensive income for the year	7,847	39,151	75,958	115,110	(127)	114,982
Purchase of treasury shares	–	–	–	(100,192)	–	(100,192)
Cancellation of treasury shares	–	(572)	(474)	273	–	273
Dividend	–	–	(48,946)	(48,946)	–	(48,946)
Changes associated with losing control of subsidiaries	–	–	–	–	(336)	(336)
Transfer from other components of equity to retained earnings	(7,847)	(9,194)	9,194	–	–	–
Total transactions with owners of the Company	(7,847)	(9,767)	(40,226)	(148,866)	(336)	(149,203)
Balance as of March 31, 2021	–	111,479	1,277,332	1,272,053	–	1,272,053

(4) Consolidated Statement of Cash Flows

(Millions of yen)

	Year ended March 31, 2020	Year ended March 31, 2021
Cash flows from operating activities		
Profit before tax	141,164	74,124
Depreciation and amortization	52,611	57,382
Impairment losses (reversal of impairment losses)	7,548	607
Financial income	(9,849)	(12,916)
Financial expenses	7,813	2,755
Share of (profit) loss of investments accounted for using the equity method	(327)	(168)
(Gain) loss on sale and disposal of non-current assets	(9,309)	829
(Increase) decrease in trade and other receivables	110,165	83,093
(Increase) decrease in inventories	(7,392)	(21,222)
Increase (decrease) in trade and other payables	(44,726)	23,882
Others, net	(29,650)	7,315
Subtotal	218,047	215,683
Interest and dividend received	7,261	2,889
Interest paid	(2,526)	(1,839)
Income taxes paid	(26,181)	(24,525)
Net cash flows from (used in) operating activities	196,601	192,207
Cash flows from investing activities		
Payments into time deposits	(881,884)	(568,192)
Proceeds from maturities of time deposits	908,646	746,544
Acquisition of securities	(152,836)	(352,431)
Proceeds from sale and redemption of securities	208,547	203,043
Acquisition of property, plant and equipment	(31,936)	(31,245)
Proceeds from sale of property, plant and equipment	157	33
Acquisition of intangible assets	(20,629)	(32,848)
Acquisition of subsidiaries	463	(4,401)
Proceeds from sale of subsidiary	37,128	-
Payments for loans receivable	(533)	(24)
Proceeds from collection of loans receivable	520	725
Others, net	14,028	(449)
Net cash flows from (used in) investing activities	81,673	(39,246)

(Millions of yen)

	Year ended March 31, 2020	Year ended March 31, 2021
Cash flows from financing activities		
Proceeds from bonds and borrowings	3,981	-
Repayments of bonds and borrowings	(40,387)	(40,389)
Purchase of treasury shares	(85)	(100,192)
Proceeds from sale of treasury shares	0	2
Dividend paid	(45,356)	(48,946)
Others, net	(9,790)	(12,906)
Net cash flows from (used in) financing activities	(91,637)	(202,433)
Net increase (decrease) in cash and cash equivalents	186,636	(49,471)
Cash and cash equivalents at the beginning of the year	243,155	424,184
Effect of exchange rate changes on cash and cash equivalents	(5,608)	5,834
Cash and cash equivalents at the end of the year	424,184	380,547

(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.

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, 2020		Year ended March 31, 2021		Increase / (decrease)	
	Amount	Ratio (%)	Amount	Ratio (%)	Amount	Ratio (%)
Prescription drugs	911,262	92.8	892,923	92.8	(18,338)	-2.0
Healthcare (OTC) products	68,403	7.0	67,425	7.0	(977)	-1.4
Others	2,127	0.2	2,167	0.2	39	1.8
Total	981,793	100.0	962,516	100.0	(19,276)	-2.0

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, 2020	607,712	183,081	95,728	95,271	981,793
Year ended March 31, 2021	560,725	191,651	114,047	96,091	962,516

(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, 2020	282,865	167,016	39,146	7,284	496,313
As of March 31, 2021	278,542	172,357	56,775	8,134	515,810

(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, 2020	Year ended March 31, 2021
Alfresa Holdings Corporation and its group companies	196,146	185,556

Earnings per Share

1) Basis for calculation of basic earnings per share

	Year ended March 31, 2020	Year ended March 31, 2021
a. Profit Attributable to owners of the Company		
Profit attributable to owners of the Company (Millions of yen)	129,074	75,958
Profit not attributable to owners of the Company (Millions of yen)	–	–
Profit used to calculate basic earnings per share (Millions of yen)	129,074	75,958
b. Weighted-average Number of Ordinary Shares		
Weighted-average number of ordinary shares (basic) (Thousands of shares)	1,943,839	1,939,343
c. Basic Earnings per Share		
Basic earnings per share (Yen)	66.40	39.17

Note: Effective Thursday, October 1, 2020, Daiichi Sankyo implemented a three-for-one share split of its ordinary shares. Basic earnings per share is calculated as if the share split had taken place at the beginning of the year ended March 31, 2020.

2) Diluted Earnings per Share

	Year ended March 31, 2020	Year ended March 31, 2021
a. Diluted Profit Attributable to owners of the Company		
Profit used to calculate basic earnings per share (Millions of yen)	129,074	75,958
Adjustment to profit (Millions of yen)	–	–
Profit used to calculate diluted earnings per share (Millions of yen)	129,074	75,958
b. Weighted-average Number of Diluted Ordinary Shares		
Weighted-average number of ordinary shares (basic) (Thousands of shares)	1,943,839	1,939,343
Potential effect of issue of subscription rights (Thousands of shares)	3,967	2,631
Weighted-average number of ordinary shares (diluted) (Thousands of shares)	1,947,807	1,941,975
c. Diluted Earnings per Share		
Diluted earnings per share (Yen)	66.27	39.11

Note: Effective Thursday, October 1, 2020, Daiichi Sankyo implemented a three-for-one share split of its ordinary shares. Diluted earnings per share is calculated as if the share split had taken place at the beginning of the year ended March 31, 2020.

Subsequent Events

Not applicable.