The 5th 5-year Business Plan Update

Excerpt from Top Management Presentation, Financial Results of FY2022 Q4 on April 27th, 2023
## Strategic Pillars for the 5-Year Business Plan (FY2021-FY2025)

### FY2025

#### Financial Targets
- **Revenue**: 1.6 Tr JPY (Oncology > 600.0 Bn JPY)
- **Core Operating Profit** Ratio before R&D Expense: 40%
- **ROE > 16%**
- **DOE** > 8%

### Maximize 3ADCs
- Maximize ENHERTU® and Dato-DXd through strategic alliance with AstraZeneca
- Maximize HER3-DXd without a partner
- Expand work force and supply capacity flexibly depending on changes around product potential

### Profit growth for current business and products
- Maximize Lixiana® profit
- Grow Tarlige®, Nilemdo®, etc. quickly
- Transform to profit structure focused on patented drugs
- Profit growth for American Regent and Daiichi Sankyo Healthcare

### Identify and build pillars for further growth
- Identify new growth drivers following 3ADCs
- Select and advance promising post DXd-ADC modalities

### Create shared value with stakeholders
- Patients: Contributing to patients through “Patient Centric Mindset”
- Shareholders: Balanced investment for growth and shareholder returns
- Society: Environment load reduction across the value chain, and actions against pandemic risks
- Employees: Create one DS culture through fostering our core behaviors

#### Data-driven management through DX, and company-wide transformation through advanced digital technology

#### Agile decision making through new global management structure

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*Excluding temporary income and expenses (gains/losses related to sales of fixed assets etc.)

**DOE: Dividend on Equity = Total dividend amount / Equity attributable to owners of the company from operating income
5-Year Business Plan: Progress in FY2021-FY2022

Maximize 3ADCs

◆ Maximize product value of ENHERTU®
  ➢ Approval of new indication
    • HER2+ BC 2L (DB-03)
      HER2 low BC post-chemo (DB-04)
      HER2 mutant NSCLC 2L+ (DL-01, DL-02)
  ➢ Sales growth in each country/ region
    • Sales expansion exceeding initial plan based on the results of DB-03 and DB-04
  ➢ Progress of LCM
    • HER2+ BC 1L (DB-09)
      HER2+ BC neoadjuvant (DB-11)
      HER2 low BC chemo naïve (DB-06) etc.

◆ Maximize product values of Dato-DXd and HER3-DXd
  ➢ Progress of pivotal study for launch
    • Dato-DXd: NSCLC 2L+ (TL-01)
    • HER3-DXd: EGFR mutated NSCLC 3L (HL-01)
  ➢ Initiation of new Ph3 studies
    • Dato-DXd: NSCLC (without actionable genomic alteration) 1L (TL-07 and TL-08) etc.
    • HER3-DXd: EGFR mutated NSCLC 2L (HL-02)

Profit growth for current business and products

◆ Growth of current products
  ➢ Steady sales expansion of Lixiana®
    • Increase product value with additional dosage and administration
      (Prevention for stroke and systemic embolism in elderly patients with non-valvular atrial fibrillation and high bleeding risk: ELDERCARE-AF study)
  ➢ Sales increase of current products in each countries/ regions
    • Tarlige®, Injectafer®, Venofer®, Nilemdo®/Nustendi® etc.
    • Increase product values of current products by additional indication/ formulation

◆ Transformation of business structure focused on patented drugs
  ➢ Launch of new drug
    • Emgality®, Reyvow®, Ezharmia® etc.
  ➢ Progress of product divesture after loss of exclusivity in each country/region
Identify and build pillars for further growth

◆ Emerging candidates for new growth driver (Rising Stars) following 3ADCs
  ➢ Progress of development for DS-7300 (B7-H3-directed ADC)
    • Obtained interim analysis data which showed early efficacy signals in multiple cancer types (SCLC, CRPC, ESCC, sqNSCLC)
    • Started new Ph2 study for ES-SCLC 2L+
  ➢ Progress of development for DS-6000 (CDH6-directed ADC)
    • Obtained interim analysis data which showed early efficacy signals in multiple cancer types (OVC, RCC)

◆ Advancement to select post DXd-ADC modalities
  ➢ Started clinical study for the next generation ADC, DS-9606

Create shared value with stakeholders

◆ Strengthening shareholder returns
  ➢ Increase dividend with profit growth
    • Increase FY2022 annual dividend per share from 27 JPY to 30 JPY

◆ Actions against pandemic risks
  ➢ Regulatory submission for DS-5670 (COVID-19 mRNA vaccine)
    • Regulatory submission for original strain booster vaccination

◆ Environment load reduction across the value chain
  ➢ Progress initiative for environmental issues
    • Joined RE100, a global initiative aiming to use 100% renewable energy for electricity consumed in business activities
    • Converted electricity consumed in bases in Japan to renewable energy

◆ Penetration of Core Behavior for fostering one DS culture
  ➢ Further understanding of three Core Behaviors through workshop by management and employees
Expectation on achieving FY2025 KPIs
(as of 2023 Apr.)

At the time of planning 5YBP

- **Revenue in Oncology**: 1,600 Bn JPY
- **Core Operating Profit ratio before R&D expense**: > 600 Bn JPY, 40%
- **ROE**: > 16%
- **DOE**: > 8%

*Currency rate assumptions: 1 USD=105 JPY, 1 EUR=120 JPY*

As of 2023 Apr.

- **Revenue**: 2.0 Tr JPY
- **Revenue in Oncology**: > 900 Bn JPY, 40%
- **Core Operating Profit ratio before R&D expense**: > 16%
- **ROE**: > 8%

*Currency rate assumptions: 1 USD=130 JPY, 1 EUR=140 JPY*
Expectation on Oncology Revenue  
(as of 2023 Apr.)

With the revenue growth of ENHERTU® and Dato-DXd, and progress of 3ADC development exceeding initial plan, oncology revenue* in FY2025 is estimated > 900.0 Bn JPY

*Revenue includes alliance revenue (50% of gross profit in countries/regions where AZ books revenue) upfront/Quid payment, development/sales milestones etc. for ENHERTU® and Dato-DXd

**Image for consolidated oncology revenue growth during the 5-year business plan (FY2021-FY2025)**

- HER3-DXd
- Dato-DXd
- ENHERTU®
- Other oncology products

**Major factors increased from initial plan**

- Sales expansion in NSCLC by expanding target patients at launch
  - TL-01: NSCLC with/without actionable genomic alterations
- Accelerated LCM driving sales expansion and increased development milestone revenue
  - TL-08 etc.
- Sales expansion in breast cancer based on the results of DB-03 and DB-04
- Accelerated LCM driving sales expansion and increased development milestone revenue
  - DB-09 and DB-11 etc.
- Sales milestone increase by product sales expansion exceeding initial plan
Profit Share Increase for ENHERTU® and Dato-DXd

Along with the growth of product sales of ENHERTU® and Dato-DXd, SG&A expenses increase with profit share* based on the strategic alliance with AZ

*For splitting profit of product sales, DS pays AZ 50% of gross profit in countries/regions where DS books revenue excluding Japan.
3ADC launch plan

Proactive investment in R&D, based on the exceeded progress in 3ADCs clinical development

5-Year Business Plan (FY2021-FY2025)

ENHERTU®
- DESTINY-Breast03
- DESTINY-Breast04
- DESTINY-Breast06
- DESTINY-Breast09
- DESTINY-Breast11
- DESTINY-Gastric02
- DESTINY-Gastric04
- DESTINY-Lung01/02
- DESTINY-Lung04
- DESTINY-CRC01/02

Dato-DXd
- TROPION-Lung01
- TROPION-Lung08
- TROPION-Breast01
- TROPION-Breast02

HER3-DXd
- HERTHENA-Lung01
- HERTHENA-Lung02

FY2026 & Beyond

ENHERTU®
- DESTINY-Breast05
  - Combo with DS internal asset, I/O or targeted therapy in BC and NSCLC
  - Other cancer types

Dato-DXd
- TROPION-Lung07
- TROPION-Breast03
  - Combo with I/O in BC and NSCLC
  - Other cancer types

HER3-DXd
  - Combo with targeted therapy in NSCLC
  - Other cancer types

• A study approved the indication during 5-Year Business Plan
• A study accelerated to expect an approval during 5-Year Business Plan (including a new study)

Timeline indicated is based on the current forecast and subject to change.
From “3 and Alpha” to “5DXd-ADCs and Next Wave”
Well-balanced Investment for Growth and Shareholder Returns

Cash Allocation

Increase R&D expense and CAPEX for further growth in future

Operating Cash Flow before R&D expense during 5-year business plan

approx. 2.8 Tr JPY
→ 3.1 Tr JPY

Source for cash allocation during 5-year business plan

R&D Expense
approx. 1.5 Tr JPY
→ approx. 1.8 Tr JPY

CAPEX
approx. 500.0 Bn JPY
→ approx. 600.0 Bn JPY

Flexible Allocation

Dividends

Prioritized investment for DXd-ADC

Investment focused on enhancing ADC supply capabilities

Flexible allocation depending on pipeline progress for 1) investment to build pillars for further growth (in-house/external); and 2) acquisition of own shares

Stable dividends and dividend increase that take account of profit growth

*Cash in hands excluding working capital
Expectation on achieving FY2025 KPIs
(as of 2023 Apr.)

◆ Revenue
2.0 Tr JPY

Revenue in Oncology
> 900.0 Bn JPY

FY2021 Result
1,049.9 Bn JPY

2022 Result
1,278.5 Bn JPY

Core Operating Profit* ratio before R&D expense: 36%

FY2025 Target
459.3 Bn JPY

Achieve significant revenue/profit growth after investment for DXd-ADC, and shift to a new stage for realizing 2030 vision

◆ Core Operating Profit* ratio before R&D expense: 40%
◆ ROE > 16%
◆ DOE > 8%

FY2025 Currency rate assumptions: 1 USD=130 JPY, 1 EUR=140 JPY
*Excluding temporary income and expenses (gains/losses related to sales of fixed assets etc.) from operating income