October 31, 2023

Consolidated Financial Results for the First Six Months of the Year Ending March 31, 2024 (Fiscal 2023) <under IFRS>

Listed company name: Daiichi Sankyo Company, Limited
Listed exchange: the Tokyo Stock Exchange
Stock code number: 4568
URL: https://www.daiichisankyo.com
Representative: Mr. Hiroyuki Okuzawa, Representative Director, President and COO
Contact: Mr. Kentaro Asakura, Vice President of Corporate Communications Department
Telephone: +81-3-6225-1125

Scheduled date of Quarterly Report filing: November 7, 2023
Scheduled date of dividend payments: December 8, 2023
Preparing supplementary material (Reference Data) on quarterly financial results: Yes
Holding quarterly information meeting: Yes (for institutional investors, analysts and the press)

(All amounts have been rounded down to the nearest million JPY)

1. Consolidated Financial Results for the First Six Months of the Year Ending March 31, 2024 (from April 1, 2023 to September 30, 2023)

(1) Consolidated Financial Results

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

	Revenue		Core Operating profit		Operating profit		Profit before tax	
	Millions of JPY	%	Millions of JPY	%	Millions of JPY	%	Millions of JPY	%
Six months ended September 30, 2023	726,344	19.5	95,326	12.4	95,063	(0.5)	102,097	11.9
Six months ended September 30, 2022	607,797	14.7	84,781	2.5	95,580	12.8	91,265	6.2

	Profit for the period		Profit attributable to owners of the Company		Total comprehensive income		Basic earnings per share	Diluted earnings per share
	Millions of JPY	%	Millions of JPY	%	Millions of JPY	%	JPY	JPY
Six months ended September 30, 2023	97,006	66.4	97,006	66.4	176,094	24.2	50.59	50.56
Six months ended September 30, 2022	58,309	(6.7)	58,309	(6.7)	141,727	115.5	30.42	30.39

Note: Daiichi Sankyo discloses core operating profit, which excludes non-recurring gains and losses from operating profit, as an indicator of underlying profitability. For the definition of core operating profit, please refer to "1. Qualitative Information about Consolidated Results for the First Six Months (1) Information about Operating Results" on page 2 of the attached material.

(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 JPY	Millions of JPY	Millions of JPY	%	JPY
As of September 30, 2023	2,649,101	1,594,002	1,594,002	60.2	831.31
As of March 31, 2023	2,508,889	1,445,854	1,445,854	57.6	754.09

2. Dividend

	Annual dividend per share				
	First quarter	Second quarter	Third quarter	Fiscal year-end	Total
	JPY	JPY	JPY	JPY	JPY
Year ended March 31, 2023	–	15.00	–	15.00	30.00
Year ending March 31, 2024	–	20.00			
Year ending March 31, 2024 (Forecast)			–	20.00	40.00

Note: Revision of the forecast from most recently announced figures: Yes

3. Forecast of Consolidated Financial Results for Year Ending March 31, 2024

(Percentages indicate changes from the previous fiscal year)

	Revenue		Core operating profit		Operating profit		Profit before tax		Profit for the year	
	Millions of JPY	%	Millions of JPY	%	Millions of JPY	%	Millions of JPY	%	Millions of JPY	%
Full year	1,550,000	21.2	155,000	26.4	150,000	24.4	160,000	26.1	135,000	23.6

	Profit attributable to owners of the Company		Basic earnings per share
	Millions of JPY	%	JPY
Full year	135,000	23.6	70.41

Note: Revision of the forecast from most recently announced figures: Yes

*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 September 30, 2023	1,947,034,029 shares
As of March 31, 2023	1,947,034,029 shares

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

As of September 30, 2023	29,580,213 shares
As of March 31, 2023	29,690,154 shares

3) Average number of shares during the period (cumulative from the beginning of the fiscal year)

Six months ended September 30, 2023	1,917,389,332 shares
Six months ended September 30, 2022	1,916,898,392 shares

* This quarterly financial results summary is not subject to quarterly review procedures by Certified Public Accountants or an 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 Daiichi Sankyo regards as reasonable. Actual performance and results may differ from those forecast due to various factors.

Please see *"1. Qualitative Information about Consolidated Results for the First Six Months (3) Information about Forecasts of Consolidated Financial Results and Other Forward-Looking Statements"* on page 8 for matters related to the above forecasts.

Attached Material

Index

1. Qualitative Information about Consolidated Results for the First Six Months

(1) Information about Operating Results

1) Overview

[Consolidated Financial Results (Core Base)]

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

	Six months ended September 30, 2022	Six months ended September 30, 2023	YoY change
Revenue	607,797	726,344	118,546 19.5%
Cost of sales*	159,405	188,361	28,956 18.2%
Selling, general and administrative expenses*	209,755	276,645	66,890 31.9%
Research and development expenses*	153,855	166,010	12,154 7.9%
Core operating profit*	84,781	95,326	10,545 12.4%
Temporary income*	10,811	687	-10,124 -93.6%
Temporary expenses*	12	950	937 –
Operating profit	95,580	95,063	-516 -0.5%
Profit before tax	91,265	102,097	10,831 11.9%
Profit attributable to owners of the Company	58,309	97,006	38,697 66.4%
Total comprehensive income	141,727	176,094	34,367 24.2%

* Daiichi Sankyo Group (hereinafter, "the Group") discloses core operating profit, which excludes temporary income and expenses from operating profit, as an indicator of ordinary profitability. Temporary income and expenses include gains/losses on sale of non-current assets, gains/losses associated with business restructuring (excluding gains/losses on sales of developed products and products on the market), impairment losses on property, plant and equipment, intangible assets, and goodwill, compensation for damages or settlement, and non-recurring and large gains/losses.

This table shows the actual results of cost of sales, selling, general and administrative expenses, and research and development expenses, exclusive of temporary income and expenses. The adjustment table from operating profit to core operating profit is stated in the reference data.

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

(JPY)

	Six months ended September 30, 2022	Six months ended September 30, 2023
USD/JPY	133.98	141.00
EUR/JPY	138.72	153.38

a. Revenue

- Revenue in the first six months of the year ending March 31, 2024 increased by JPY118.5 billion, or 19.5% year on year, to JPY726.3 billion.
- Revenue increased year on year due to the achieved growth with global mainstay products such as Enhertu (generic name: trastuzumab deruxtecan, T-DXd/DS-8201) and Lixiana (generic name: edoxaban), the positive effect from foreign exchange by the depreciation of JPY and others.
- The positive effect on revenue from foreign exchange was JPY25.5 billion in total.

b. Core operating profit

- Core operating profit increased by JPY10.5 billion, or 12.4% year on year, to JPY95.3 billion.
- Cost of sales increased by JPY29.0 billion, or 18.2%, to JPY188.4 billion due to an increase in revenue.
- Selling, general and administrative expenses increased by JPY66.9 billion, or 31.9%, to JPY276.6 billion due to the cost increase by an increase in profit sharing with AstraZeneca related to Enhertu.
- Research and development expenses increased by JPY12.2 billion, or 7.9% year on year, to JPY166.0 billion due to increased R&D investment in 5DXd-ADCs (trastuzumab deruxtecan, datopotamab deruxtecan: Dato-DXd/DS-1062, patritumab deruxtecan: HER3-DXd/U3-1402, DS-7300, DS-6000).
- The positive effect on core operating profit from foreign exchange was JPY2.8 billion in total.

c. Operating profit

- Operating profit was JPY95.1 billion, approximately the same level as the same period of the previous fiscal year.
- Operating profit was at the same level as the same period of the previous fiscal year because the stock transfer income of Daiichi Sankyo Pharmaceutical (Beijing) Co., Ltd. and others were included in temporary income in the same period of the previous fiscal year.

d. Profit before tax

- Profit before tax increased by JPY10.8 billion, or 11.9% year on year, to JPY102.1 billion.
- Profit before tax increased mainly due to JPY11.3 billion improvement in financial balance mainly by an increase of interest income.

e. Profit attributable to owners of the Company

- Profit attributable to owners of the Company increased by JPY38.7 billion, or 66.4% year on year, to JPY97.0 billion.
- The amount of increase compared to that of profit before tax was higher due to the decrease in income taxes according to the impact of tax effect accounting related to the decision regarding the stock transfer of Daiichi Sankyo Espha Co., Ltd.

f. Total comprehensive income

- Total comprehensive income increased by JPY34.4 billion, or 24.2% year on year, to JPY176.1 billion.

[Revenue by Business Unit]

Revenue by business unit in the first six months of the year ending March 31, 2024 is as follows. In addition, revenue by product is stated in the reference data.

a. Japan Business Unit

- Revenue from Japan Business Unit includes revenue generated by the innovative pharmaceuticals business, the vaccine business and revenue from products generated by the generic pharmaceutical business of Daiichi Sankyo Espha Co., Ltd.
- Revenue from the Unit increased by JPY21.8 billion, or 9.7% year on year, to JPY246.8 billion due to the growth of Lixiana, Enhertu, Tarlige and others.

The following describes the major progress in the first six months of the year ending March 31, 2024.

- In May 2023, antitumor agent Vanflyta was approved for the first line treatment of acute myeloid leukemia (AML) and the promotion began.
- In May 2023, pain treatment Tarlige OD tablets was launched.
- In August 2023, Enhertu was approved for the second line treatment for HER2 mutant non-small cell lung cancer (NSCLC) for and the promotion began.

b. Daiichi Sankyo Healthcare Unit

- Revenue from Daiichi Sankyo Healthcare Unit increased by JPY3.8 billion, or 11.2% year on year, to JPY37.4 billion as a result of the increase in sales of Loxonin, Minon and others.

c. Oncology Business Unit

- Revenue from Oncology Business Unit includes revenue generated from cancer treatment products sold by Daiichi Sankyo, Inc. (the U.S.) and Daiichi Sankyo Europe GmbH.
- Revenue from the Unit increased by JPY78.1 billion, or 110.5% year on year, to JPY148.8 billion and the revenue in local currency increased by USD528 million, or 100.0%, to USD1,055 million due to increase of Enhertu in the U.S. and Europe.

The following describes the major progress in the first six months of the year ending March 31, 2024.

- In August 2023, Vanflyta was launched in the U.S. (Indication: First line treatment for AML)

d. American Regent Unit

- Revenue from American Regent Unit increased by JPY4.6 billion, or 4.9% year on year, to JPY98.7 billion and the revenue in local currency decreased by USD3 million, or 0.4%, to USD700 million due to an increase in sales of Venofer and others, and the positive effect from foreign exchange, despite the impact of decrease in sales for Injectafer and others.

e. EU Specialty Business Unit

- Revenue from EU Specialty Business Unit includes revenue from products other than from cancer treatment products generated by Daiichi Sankyo Europe GmbH.

- Revenue from the Unit increased by JPY14.6 billion, or 20.3% year on year, to JPY86.4 billion and the revenue in local currency increased by EUR46 million, or 8.8%, to EUR563 million due to the growth in sales of Lixiana and Nilemdo/Nustendi.

f. ASCA Business Unit

- Revenue from ASCA[*1] Business Unit includes sales to overseas licensees.
- Revenue from the Unit increased by JPY13.2 billion, or 18.9% year on year, to JPY83.0 billion due to increase of Enhertu in Brazil and others.

[*1] Asia, South & Central America

The following describes the major progress in the first six months of the year ending March 31, 2024.

- In June 2023, Enhertu was launched in China (Indication: Second line treatment for HER2-positive breast cancer).
- In July 2023, Enhertu was approved for HER2 low breast cancer (post-chemotherapy) in China and the promotion began.

2) Status of R&D

The Group focuses on accelerating global clinical development and is working on research and development in accordance with the "5DXd-ADCs[*1] and Next Wave" Strategy, which intensively allocates resources to five DXd-ADCs for maximizing their product values, and aims to deliver medicines that change SOC[*2] for realization of sustainable growth (Next Wave).

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, and strives to strengthen drug discovering capabilities by technology research of new modalities[*3].

[*1] ADC: Abbreviation for 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. DXd-ADCs are drugs that combine the Company's proprietary drugs and linkers with antibodies.

[*2] Standard of Care: Universally applied best treatment practice in today's medical science.

[*3] Modality: Medical treatment such as small molecule drugs, antibody drugs, ADC, nucleic acid drugs and gene therapy.

【5DXd-ADCs】

The following describes the Group's clinical development of 5DXd-ADCs projects in the first six months of the year ending March 31, 2024 (from April 1, 2023 to September 30, 2023). The status of each clinical trial is stated in the reference data.

The Group is co-developing trastuzumab deruxtecan and datopotamab deruxtecan with AstraZeneca. In addition, the Group concluded a strategic collaboration agreement with Merck & Co., Inc., Rahway, NJ, USA for patritumab deruxtecan, DS-7300, and DS-6000 in October 2023 and the Group will co-develop three products.

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

The following describes the major progress in the first six months of the year ending March 31, 2024.

- In June 2023, the first data was presented at the American Society of Clinical Oncology (ASCO) from the Phase II clinical trial for HER2 expressing multiple solid tumors (trial name: DESTINY-PanTumor02).

- In June 2023, the first data was presented at the ASCO from the Phase II clinical trial for the third line treatment for HER2-positive colorectal cancer (trial name: DESTINY-CRC02).
- In July 2023, the application was approved in China for HER2 low breast cancer (post-chemotherapy).
- In August 2023, the application was approved in Japan for the second line treatment for HER2 mutant NSCLC.
- In September 2023, the grant of Breakthrough Therapy designations[*4] by the U.S. Food and Drug Administration (FDA) for second or later line treatment for HER2 positive (IHC 3+) solid tumors and for third or later line treatment for HER2 positive (IHC 3+) colorectal cancer were announced.
- In September 2023, the data from the Phase II clinical trial for second or later line treatment for HER2 mutant NSCLC (trial name: DESTINY-Lung02) was presented at the World Conference on Lung Cancer (WCLC).
- In September 2023, the Committee for Medicinal Products for Human Use (CHMP) of the European Medicines Agency (EMA) recommended for approval for the second line treatment for HER2 mutant NSCLC.

[*4] A System 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.

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

The following describes the major progress in the first six months of the year ending March 31, 2024.

- In June 2023, the latest data from the Phase Ib clinical trial for combination therapy with immune checkpoint inhibitors for NSCLC (trial name: TROPION-Lung02) was presented at the ASCO.
- In July 2023, the outline of trial results from the Phase III clinical trial for second or later line treatment for NSCLC (trial name: TROPION-Lung01) was presented.
- In September 2023, the first data from a cohort study on combination therapy with durvalumab in the Phase Ib clinical trial for the first and second line treatments for NSCLC without actionable genomic alterations (trial name: TROPION-Lung04) was presented at the WCLC.
- In September 2023, the outline of trial results from the Phase III clinical trial for second or later line treatment for hormone receptor (HR) positive, HER2 low or negative breast cancer (trial name: TROPION-Breast01) was presented.

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

The following describes the major progress in the first six months of the year ending March 31, 2024.

- In April 2023, the outline of trial results from the Phase II clinical trial for third or later line treatment for EGFR-mutated NSCLC (trial name: HERTHENA-Lung01) was presented.
- In September 2023, the first data from the Phase II clinical trial for the third line treatment for EGFR-mutated NSCLC (trial name: HERTHENA-Lung01) was presented at the WCLC.

d. DS-7300 (B7-H3-directed ADC)

The following describes the major progress in the first six months of the year ending March 31, 2024.

- In April 2023, Orphan Drug Designation[*5] for the treatment of small cell lung cancer was granted by the U.S. FDA.
- In September 2023, the latest data from a subgroup analysis of small cell lung cancer patients in a Phase I/II clinical trial for the treatment of solid tumors was presented at the WCLC.

[*5] A system under which designation is granted in order to support and expedite development for medicines intended for the treatment, diagnosis or prevention of rare diseases or disorders that affect fewer than 200,000 people in the U.S.

【Next Wave】

The following describes the major progress in the Group's clinical development of Next Wave for the first six months of the year ending March 31, 2024. The status of each clinical trial is stated in the reference data.

- In April 2023, the outline of trial results from the Phase III clinical trial for first immunization using DS-5670 (COVID-19 mRNA vaccine) (monovalent: original strain) targeting healthy adults in Japan was presented.
- In May 2023, the Phase III clinical trial for additional immunization using DS-5670 (bivalent: the original strain and omicron BA.4-5 subvariant) targeting healthy subjects aged 12 or older in Japan was initiated.
- In May 2023, the Phase II/III clinical trial for additional immunization using DS-5670 (bivalent: the original strain and omicron BA.4-5 subvariant) targeting subjects from ages five to 11 in Japan was initiated.
- In May 2023, quizartinib (AC220: FLT3 inhibitor, brand name in Japan: Vanflyta) was approved for first line treatment of *FLT3*-ITD-positive acute myeloid leukemia (AML) in Japan.
- In May 2023, Rare Pediatric Disease[*6] Designation for Netherton syndrome was granted for DS-2325 (KLK5 inhibitor) by the U.S. FDA.
- In June 2023, the Phase I clinical trial for DS-1103 (Anti-SIRPα antibodies) for combination with Enhertu for solid tumors was initiated.
- In June 2023, the outline of clinical results from the Phase II clinical trial for valemetostat (DS-3201: EZH1/2 inhibitor, brand name in Japan: Ezharmia) for peripheral T-cell lymphoma (PTCL) (trial name: VALENTINE-PTCL01) was obtained.
- In July 2023, quizartinib (brand name in U.S.: Vanflyta) was approved for first line treatment of *FLT3*-ITD-positive acute myeloid leukemia (AML) in the U.S.
- In August 2023, DS-5670 (monovalent: original strain) (brand name in Japan: DAICHIRONA for Intramuscular Injection) was approved for additional immunization for the prevention of infectious disease caused by SARS-CoV-2 in Japan.
- In September 2023, it was announced that the primary endpoint was met in the Phase III clinical trial for additional immunization using DS-5670 (bivalent: the original strain and omicron BA.4-5 subvariant) targeting subjects aged 12 or older in Japan.
- In September 2023, an application for DS-5670 (monovalent: omicron XBB.1.5 variant) was submitted in Japan.
- In September 2023, the Phase I clinical trial for DS-1471 (Anti-CD147 antibodies) for the treatment of solid tumors was initiated.
- In September 2023, the Phase I/II clinical trial for DS-3939 (Anti-TA-MUC1 ADC) for the treatment of solid tumors was initiated.
- In September 2023, quizartinib was recommended for approval for the first line treatment for AMLby the CHMP of the EMA.

[*6] A system under which designation is granted for medicines intended for the treatment or prevention of rare diseases or disorders that develop prior to patients reaching the age of 18 and that affect fewer than 200,000 patients in the U.S., and under which preferential treatment can be received, such as the granting of priority review vouchers when approval is obtained for the drug.

(2) Analysis of Financial Position as of September 30, 2023

- Total assets as of September 30, 2023 were JPY2,649.1 billion, an increase of JPY140.2 billion from the previous fiscal year-end, mainly due to increases in cash and cash equivalents and inventories, which was partially offset by a decrease in other financial assets (current assets).
- Total liabilities as of September 30, 2023 were JPY1,055.1 billion, an decrease of JPY7.9 billion from the previous fiscal year-end, mainly due to decreases in bonds and borrowings (current liabilities) and non-current liabilities, which was partially offset by an increase in trade and other payables.
- Total equity as of September 30, 2023 was JPY1,594.0 billion, an increase of JPY148.1 billion from the previous fiscal year-end, mainly due to profit for the period and an increase in other components of equity, which was partially offset by dividend paid.
- The ratio of equity attributable to owners of the Company to total assets was 60.2%, an increase of 2.6 points from the previous fiscal year-end.

(3) Information about Forecasts of Consolidated Financial Results and Other Forward-Looking Statements

- The differences from the forecasts of consolidated financial results for the year ending March 31, 2024, which were publicly announced on April 27, 2023, are shown below.

1) Revisions to the forecasts of consolidated financial results for the year ending March 31, 2024 (from April 1, 2023 to March 31, 2024)

	Revenue	Core operating profit	Operating profit	Profit before tax	Profit for the year	Profit attributable to owners of the Company
	Millions of JPY	Millions of JPY	Millions of JPY	Millions of JPY	Millions of JPY	Millions of JPY
Previous forecasts (A)	1,450,000	140,000	135,000	135,000	115,000	115,000
Revised forecasts (B)	1,550,000	155,000	150,000	160,000	135,000	135,000
Change (B-A)	100,000	15,000	15,000	25,000	20,000	20,000
Percentage of change (%)	6.9	10.7	11.1	18.5	17.4	17.4
(Reference) Year ended March 31, 2023	1,278,478	122,610	120,580	126,854	109,188	109,188

* Assumed exchange rate for the third and fourth quarter: USD/JPY = 145, EUR/JPY = 155

Note: The forecasted statements shown above are based on information currently available and certain assumptions that Daiichi Sankyo regards as reasonable. Actual performance and other results may differ from these forecasted figures due to various factors.

2) Reason for the revision

- Revenue has been revised upward by JPY100.0 billion from the previous forecast to JPY1,550.0 billion to reflect the positive effect from foreign exchange by the depreciation of the JPY, strong performance in product sales centered on Enhertu and deferred revenue of the upfront payment accompanied by the conclusion of a strategic collaboration agreement regarding DXd-ADC products with Merck & Co., Inc., Rahway, NJ, USA.
- Core operating profit and Operating profit have been revised upward by JPY15.0 billion from the previous forecast to JPY155.0 billion and JPY150.0 billion, respectively mainly to reflect increase in revenue and decrease in expenses due to the initiation of research and development expenses share

with Merck & Co., Inc., Rahway, NJ, USA despite an increase in expenses due to the effect from foreign exchange by the depreciation of JPY.

- Profit before tax has been revised upward by JPY25.0 billion from the previous forecast to JPY160.0 billion, to reflect the improvement in financial balance mainly by an increase of interest rate in the U.S..
- Profit attributable to owners of the Company has been revised upward by JPY20.0 billion from the previous forecast to JPY135.0 billion.

(4) Information about Return to Shareholders

- 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.
- For fiscal 2022, the Company paid a year-end dividend of JPY15 per share on June 20, 2023. Accordingly, the annual dividend for the fiscal year, together with the interim dividend of JPY15 per share paid on December 1, 2022, was JPY30 per share in total.
- For fiscal 2023, given a higher probability of achieving the major financial targets for fiscal 2025 mainly due to increased sales of Enhertu, the Company intended to pay JPY34 as annual dividend per share, increased by JPY4 compared to that of fiscal 2022. In addition, the Company plans to increase dividends furthermore due to the upward revision of the forecasts of consolidated financial due to the strong business performance centered on Enhertu in addition to the receipt of upfront payment following the conclusion of strategic collaboration agreement with Merck & Co., Inc., Rahway, NJ, USA related to 3DXd-ADC products. Specifically, the Company has decided the revision of the interim dividend and the year-end dividend forecast for fiscal 2023 to be JPY20.00 per share, an increase of JPY3 from the initial forecast respectively, i.e. annual dividend to be JPY40.00 per share, an increase of JPY6 from the initial forecast at the meeting of the Board of Directors held on October 31, 2023. The interim dividend will be paid to shareholders as of the end of this six months ended September 30, 2023 on December 8, 2023.

2. Condensed Interim Consolidated Financial Statements with Primary Notes

(1) Condensed Interim Consolidated Statement of Financial Position

(Millions of JPY)

	As of March 31, 2023	As of September 30, 2023
ASSETS		
Current assets		
Cash and cash equivalents	441,921	590,768
Trade and other receivables	349,111	411,772
Other financial assets	383,205	77,542
Inventories	301,608	377,631
Other current assets	19,204	48,255
Subtotal	1,495,051	1,505,970
Assets held for sale	–	17,762
Total current assets	1,495,051	1,523,733
Non-current assets		
Property, plant and equipment	348,912	382,653
Goodwill	98,330	107,462
Intangible assets	159,609	155,766
Investments accounted for using the equity method	1,306	513
Other financial assets	130,393	153,508
Deferred tax assets	180,096	196,696
Other non-current assets	95,188	128,768
Total non-current assets	1,013,837	1,125,368
Total assets	2,508,889	2,649,101

(Millions of JPY)

	As of March 31, 2023	As of September 30, 2023
LIABILITIES AND EQUITY		
Current liabilities		
Trade and other payables	424,036	468,149
Bonds and borrowings	41,396	398
Other financial liabilities	11,080	12,144
Income taxes payable	21,470	17,639
Provisions	7,626	2,841
Other current liabilities	24,652	18,603
Subtotal	530,263	519,778
Liabilities directly associated with assets held for sale	–	12,473
Total current liabilities	530,263	532,252
Non-current liabilities		
Bonds and borrowings	101,692	101,503
Other financial liabilities	41,647	44,090
Post-employment benefit liabilities	1,310	1,556
Provisions	16,376	16,066
Deferred tax liabilities	12,647	13,947
Other non-current liabilities	359,096	345,682
Total non-current liabilities	532,770	522,847
Total liabilities	1,063,034	1,055,099
Equity		
Equity attributable to owners of the Company		
Share capital	50,000	50,000
Capital surplus	–	821
Treasury shares	(36,808)	(36,680)
Other components of equity	200,874	279,185
Retained earnings	1,231,788	1,300,674
Total equity attributable to owners of the Company	1,445,854	1,594,002
Total equity	1,445,854	1,594,002
Total liabilities and equity	2,508,889	2,649,101

(2) Condensed Interim Consolidated Statement of Profit or Loss and Condensed Interim Consolidated Statement of Comprehensive Income

Condensed Interim Consolidated Statement of Profit or Loss

(Millions of JPY)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Revenue	607,797	726,344
Cost of sales	159,567	188,412
Gross profit	448,230	537,931
Selling, general and administrative expenses	209,859	277,614
Research and development expenses	150,654	166,092
Other income	7,864	844
Other expenses	–	5
Operating profit	95,580	95,063
Financial income	4,931	12,108
Financial expenses	9,214	5,131
Share of profit (loss) of investments accounted for using the equity method	(32)	56
Profit before tax	91,265	102,097
Income taxes	32,956	5,090
Profit for the period	58,309	97,006
Profit attributable to:		
Owners of the Company	58,309	97,006
Earnings per share		
Basic earnings per share (JPY)	30.42	50.59
Diluted earnings per share (JPY)	30.39	50.56

Condensed Interim Consolidated Statement of Comprehensive Income

(Millions of JPY)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Profit for the period	58,309	97,006
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Financial assets measured at fair value through other comprehensive income	(1,239)	10,853
Remeasurements of defined benefit plans	0	23
Items that are or may be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign operations	84,657	68,278
Cash flow hedges	–	(67)
Other comprehensive income for the period	83,418	79,088
Total comprehensive income for the period	141,727	176,094
Total comprehensive income attributable to:		
Owners of the Company	141,727	176,094

(3) Condensed Interim Consolidated Statement of Changes in Equity

Six months ended September 30, 2022

(Millions of JPY)

	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, 2022	50,000	–	(37,482)	822	132,103	35,221
Profit for the period	–	–	–	–	–	–
Other comprehensive income for the period	–	–	–	–	84,657	(1,239)
Total comprehensive income for the period	–	–	–	–	84,657	(1,239)
Purchase of treasury shares	–	–	(12)	–	–	–
Disposal of treasury shares	–	55	307	(74)	–	–
Dividend	–	–	–	–	–	–
Transfer from other components of equity to retained earnings	–	–	–	–	–	(616)
Others	–	–	–	–	(1,547)	–
Total transactions with owners of the Company	–	55	295	(74)	(1,547)	(616)
Balance as of September 30, 2022	50,000	55	(37,187)	747	215,212	33,365

(Millions of JPY)

	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	Total equity
Balance as of April 1, 2022	–	168,147	1,170,208	1,350,872	1,350,872
Profit for the period	–	–	58,309	58,309	58,309
Other comprehensive income for the period	0	83,418	–	83,418	83,418
Total comprehensive income for the period	0	83,418	58,309	141,727	141,727
Purchase of treasury shares	–	–	–	(12)	(12)
Disposal of treasury shares	–	(74)	–	289	289
Dividend	–	–	(25,876)	(25,876)	(25,876)
Transfer from other components of equity to retained earnings	(0)	(617)	617	–	–
Others	–	(1,547)	1,697	149	149
Total transactions with owners of the Company	(0)	(2,239)	(23,561)	(25,450)	(25,450)
Balance as of September 30, 2022	–	249,325	1,204,955	1,467,149	1,467,149

Six months ended September 30, 2023

(Millions of JPY)

	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	Cash flow hedges
Balance as of April 1, 2023	50,000	–	(36,808)	608	168,415	403
Profit for the period	–	–	–	–	–	–
Other comprehensive income for the period	–	–	–	–	68,278	(67)
Total comprehensive income for the period					68,278	(67)
Purchase of treasury shares	–	–	(11)	–	–	–
Disposal of treasury shares	–	194	139	(22)	–	–
Dividend	–	–	–	–	–	–
Share-based payment transaction	–	627	–	–	–	–
Transfer from other components of equity to retained earnings	–	–	–	–	–	–
Transfer to non-financial assets and similar items	–	–	–	–	–	(424)
Others	–	–	–	–	–	–
Total transactions with owners of the Company	–	821	128	(22)	–	(424)
Balance as of September 30, 2023	50,000	821	(36,680)	586	236,694	(88)

(Millions of JPY)

	Equity attributable to owners of the Company					
	Other components of equity					
	Financial assets measured at fair value through other comprehensive income	Remeasure-ments of defined benefit plans	Total other components of equity	Retained earnings	Total equity attributable to owners of the Company	Total equity
Balance as of April 1, 2023	31,446	–	200,874	1,231,788	1,445,854	1,445,854
Profit for the period	–	–	–	97,006	97,006	97,006
Other comprehensive income for the period	10,853	23	79,088	–	79,088	79,088
Total comprehensive income for the period	10,853	23	79,088	97,006	176,094	176,094
Purchase of treasury shares	–	–	–	–	(11)	(11)
Disposal of treasury shares	–	–	(22)	–	311	311
Dividend	–	–	–	(28,760)	(28,760)	(28,760)
Share-based payment transaction	–	–	–	–	627	627
Transfer from other components of equity to retained earnings	(305)	(23)	(329)	329	–	–
Transfer to non-financial assets and similar items	–	–	(424)	–	(424)	(424)
Others	–	–	–	310	310	310
Total transactions with owners of the Company	(305)	(23)	(776)	(28,120)	(27,946)	(27,946)
Balance as of September 30, 2023	41,993	–	279,185	1,300,674	1,594,002	1,594,002

(4) Condensed Interim Consolidated Statement of Cash Flows

(Millions of JPY)

	Six months ended September 30, 2022	Six months ended September 30, 2023
Cash flows from operating activities		
Profit before tax	91,265	102,097
Depreciation and amortization	29,986	28,560
Impairment losses (reversal of impairment losses)	(3,190)	3
Financial income	(4,931)	(12,108)
Financial expenses	9,214	5,131
Share of (profit) loss of investments accounted for using the equity method	32	(56)
(Gain) loss on sale and disposal of non-current assets	(792)	337
(Increase) decrease in trade and other receivables	(37,726)	(34,621)
(Increase) decrease in inventories	(37,872)	(68,982)
Increase (decrease) in trade and other payables	(23,587)	18,963
Others, net	41,804	(63,104)
Subtotal	64,201	(23,779)
Interest and dividend received	2,402	7,709
Interest paid	(1,048)	(948)
Income taxes paid	(19,449)	(47,365)
Net cash flows from (used in) operating activities	46,105	(64,384)
Cash flows from investing activities		
Payments into time deposits	(197,789)	(66,647)
Proceeds from maturities of time deposits	70,179	266,328
Acquisition of securities	(152,481)	(59,214)
Proceeds from sale and redemption of securities	129,198	173,693
Acquisition of property, plant and equipment	(27,453)	(45,686)
Proceeds from sale of property, plant and equipment	1,544	16
Acquisition of intangible assets	(5,557)	(3,564)
Acquisition of subsidiaries	(30,544)	(6,900)
Proceeds from sale of subsidiaries	8,357	7,500
Proceeds from collection of loans receivable	172	114
Others, net	(658)	(644)
Net cash flows from (used in) investing activities	(205,031)	264,993

	Six months ended September 30, 2022	Six months ended September 30, 2023
Cash flows from financing activities		
Repayments of bonds and borrowings	(20,197)	(41,198)
Purchase of treasury shares	(12)	(11)
Proceeds from sale of treasury shares	0	0
Dividend paid	(25,867)	(28,749)
Repayments of lease liabilities	(7,212)	(7,320)
Others, net	0	0
Net cash flows from (used in) financing activities	(53,290)	(77,279)
Net increase (decrease) in cash and cash equivalents	(212,217)	123,329
Cash and cash equivalents at the beginning of the period	662,477	441,921
Effect of exchange rate changes on cash and cash equivalents	29,958	31,506
Cash and cash equivalents at the end of the period	480,219	596,757
Cash and cash equivalents reclassified to assets held for sale	–	(5,989)
Cash and cash equivalents at the end of the period (Consolidated statements of financial position)	480,219	590,768

(5) Notes to Condensed Interim Consolidated Financial Statements

Going Concern Assumption

Not applicable.

Subsequent Events

a. Partial Transfer of Shares of Daiichi Sankyo Espha Co., Ltd.

On October 1, 2023, the Company transferred 30% of the issued shares of Daiichi Sankyo Espha Co., Ltd. (“DSEP”) held by the Company based on the provisions of the stock transfer agreement with Qol Holdings Co., Ltd. signed on May 16, 2023. This stock transfer agreement includes the phased transfer of all shares in DSEP. 21% of the total issued shares will be transferred on April 1, 2024, and the date for the transfer of the remaining shares (49% of the total issued shares) will be determined through discussions between the two parties.

The two stock transfer transactions on October 1, 2023 and April 1, 2024 are multiple arrangements and are intended to achieve a smooth transfer of the generic operations of DSEP. The Company expects to lose its control over DSEP upon the execution of the stock transfer transaction on April 1, 2024. Therefore, the Company has determined that it is appropriate to account for the two stock transfer transactions until the loss of control as a single transaction.

As a result, the difference of JPY 7,273 million between the consideration received for the stock transfer executed on October1, 2023 and the relevant stock cost , is going to be recorded as “Trade and other payables” (Deferred revenue). The cost of the stock is calculated based on the net assets of DSEP reflecting the expected future dividends from surplus until the loss of control stipulated in the stock transfer agreement. The Deferred revenue will be recognized as income when the Company loses its control over DSEP.

As of the end of the second quarter of the current fiscal year, the Company has already received consideration of JPY 7,500 million for the transfer of shares on October 1, 2023 and recorded it as “Trade and other payables” (Advances received). The assets and liabilities of DSEP are classified as " Assets held for sale " and "Liabilities directly associated with assets held for sale", respectively, at the end of the second quarter.

b. Conclusion of a Global Development and Commercialization Agreement with Merck & Co., Inc., Rahway, N.J., USA Regarding three Daiichi Sankyo DXd-ADCs.

On October 20, 2023, the Company and Merck & Co., Inc., Rahway, N.J., USA have entered into a global development and commercialization agreement for three Daiichi Sankyo DXd-ADC contingents: Patritumab deruxtecan (HER3-DXd /U3-1402: HER3-directed ADC), DS-7300 (I-DXd: B7-H3-directed ADC) and DS-6000 (R-DXd: CDH6-directed ADC) (“the three products”).

The Company and Merck & Co., Inc., Rahway, N.J., USA will jointly develop and commercialize the three products worldwide, except in Japan where the Company holds exclusive rights. The Company will be solely responsible for manufacturing and supply of the three products.

Under the terms of the agreement, Merck & Co., Inc., Rahway, N.J., USA will pay the Company upfront payments of USD 1.5 billion for DS-7300 due upon execution; USD 1.5 billion for Patritumab deruxtecan, where USD 750 million is due upon execution and USD 750 million is due after 12 months; and USD 1.5 billion for DS-6000, where USD 750 million is due upon execution and USD 750 million is due after 24 months. Merck & Co., Inc., Rahway, N.J., USA also will pay the Company up to an additional USD 5.5 billion for each DXd-ADC contingent upon the achievement of certain sales milestones. When combined with the additional refundable upfront payment of USD 1 billion described below, total potential consideration across the three programs is up to USD 22 billion.

Merck & Co., Inc., Rahway, N.J., USA may opt out of the collaboration for Patritumab deruxtecan and DS-6000 and elect not to pay the two continuation payments of USD 750 million each that are due after 12 months and 24 months, respectively. If Merck & Co., Inc., Rahway, N.J., USA opts out of Patritumab deruxtecan and/or DS-6000, the upfront payments already paid will be retained by the Company and rights related to such DXd-ADCs will be returned to the Company.

Merck & Co., Inc., Rahway, N.J., USA will pay an additional upfront payment of USD 1 billion (USD 500 million each for Patritumab deruxtecan and DS-7300), a pro-rated portion of which may be refundable in the event of early termination of development with respect to each program. For DS-6000, Merck & Co., Inc., Rahway, N.J., USA will be responsible for 75% of the first USD 2 billion of R&D expenses. Except as outlined above with respect to R&D expenses, the companies will equally share expenses as well as profits worldwide, except for Japan where the Company

retains exclusive rights and Merck & Co., Inc., Rahway, N.J., USA receives a royalty based on sales revenue. The Company will generally book sales worldwide.

The upfront payments received by the Company, excluding those received as development costs, will be recognized as revenue over the period of satisfaction of the contractual performance obligations. The impact on consolidated financial results for the year ending March 31, 2024 is currently under investigation.